

STUDIES AND ANALYSES

ŠTÚDIE A ANALÝZY

Jozef Gnap – Jana Červenáková

***Financing of public
passenger transport
in the Slovak Republic***



M.E.S.A.10

– Centrum pre ekonomické a sociálne analýzy

Hviezdoslavovo nám. 17, 811 02 Bratislava

tel.: +421-7-544 35 328, +421-7-544 34 009

fax: +421-7-544 32 189

www.mesa10.sk

e-mail: mesa10@mesa10.sk

Corporate Design & Print: Design Partner, Bratislava

Copyrights © M.E.S.A.10, Bratislava, December 2000

ISBN: 80-968293-2-7

EAN 9788094629323

OBSAH

1. The evaluation of the current way of the financing of public passenger transport in the Slovak republic	
1.1. The position of public passenger transport companies in the SR and its development	5
1.2. The development in the financing of public passenger transport in the SR	7
1.2.1. Comparison of sales, costs and subsidies in railway and bus transport	7
1.2.2. The economic situation of bus service companies, railway transport and municipal public transport companies	9
Bus transport	9
Railway transport	10
Municipal public transport companies	11
2. The evaluation of the current technical and financial condition of SAD companies	
2.1. Comparison of the technical condition of the SAD vehicle fleet	13
2.2. Comparison of the financial situation of the SAD companies	14
3. Setting equalisation criteria to bring about equality of the level of individual SAD and needs for resources	
3.1. Setting of the economically justified costs	17
Reasonable profit	18
3.2. A proposal for the vehicle fleet replacement	20
4. Definition to the performance in the public interest, setting its scope, ways and form of financial compensations	
4.1. Performance in public interest in public passenger transport and the system of financing them at present	21
4.2. Public procurement in the area of public transport in the SR and in the EU	23
4.3. The concept of the tariff policy in public transport with regard to its financing	25
A proposed system for tariff valorisation	28
4.4. International experience in the area of public transport companies	29
5. A proposed model of the financing of public passenger transport in the Slovak Republic	34
6. Proposed course of action in the privatisation of SAD companies and its potential impact upon the public passenger transport in the Slovak Republic	39

References

1.

The evaluation of the current way of the financing of public passenger transport in the Slovak Republic

With its volume of performance, the value of frozen assets and the number of employees, transport ranks among the major industries of an economy.

The Ministry of Transport, Posts and Telecommunications is currently ensuring the interests of the state in further functioning of the system of public passenger transport through subsidies covering the loss incurred in the provision of transport service in public interest. Subsidies are provided both for the bus service and the rail transport. Despite the large volume of these subsidies, there are no exact instruments in the system of granting and using them that would measure their justification and efficiency.

1.1 The position of public passenger transport companies in the SR and its development

In the public transport of passengers, the interest of the state or individual regions persists to guide its further development, particularly for reasons of its strategic significance for other branches of national economy, and also to protect the environment against disproportionate growth of personal utilisation of motor vehicles.

The following table shows how the transport market in public passenger services has been distributed in the Slovak Republic by number of persons transported:

Public bus services have taken the largest share by the number of persons transported in the SR, with municipal public transport provided by state-run SAD companies included under this kind of transport, except for the following cities: Bratislava, Košice, Žilina, Banská Bystrica and Prešov, where the transport is provided by MHD- DP companies (municipal transport companies). In the railway transport of passengers international transport has been included.

The Slovak Republic has historically enjoyed a very good coverage with public transport serving its territory, as even small settlements are served by regular bus services.

The data above clearly show a decline in the number of persons transported and the transport performances both in the railway passenger transport and in the bus transport.

Expressed statistically, bus transport takes a lead in the number of persons transported in absolute terms, while in the calculation of transport performance per passenger km (passenger kilometre) the proportion is different, as in railway transport, passengers are

Table 1: Transport of passengers in 1995 - 1999 in the SR in thousand persons

	1995	1996	1997	1998	1999
Public bus services	722 510	699 758	667 427	656 230	620 928
Rail transport	89 471	74 294	71 489	70 008	69 428
Municipal/City transport	515 593	542 389	526 940	509 862	504 268
Air transport	-	-	180	232	151
Water transport	138	80	99	98	98

Source: Data of 1995 - 1998 Statistical Yearbook of the SR 1999, and the year 1999 Statistical report on Basic Development Trends in the Economy of the SR, Statistical Office of the Slovak Republic

transported over longer distances. The regular bus services run by SAD companies are responsible for area servicing and, all municipalities of the Slovak Republic are connected to its service network. The density of railway track network is relatively small, given the geographical conditions of the SR. SAD companies also run public municipal transport, with the exception of Bratislava, Banská Bystrica, Košice, Prešov and Žilina, in 42 towns of the Slovak Republic. On the whole, they operate around 2,000 bus lines of which 75% are intra-regional and municipal in nature, 10% cross the territory of more regions, and 15% are long-distance and international. Bus lines make, on average, 86 thousand bus connections daily. Bus transport service thus enjoys a dominant position in meeting transportation needs of the population in the Slovak Republic.

Besides large cities, there are 17 state-run SAD companies catering for transport needs. These 17 companies have been created from former 54 companies, and each of them operates in a clearly defined geographical area.

According to the Act of the National Council of the SR (NC SR =Parliament) no. 168/1996 of the Collection of Laws, on road transport, as later amended, a carrier may operate regular bus service only subject to holding a licence. The holders of the licences for regular bus services (municipal public transport and outlying city-bound transport) are 19 public transport suppliers, of which two, in Skalica and Stará Ľubovňa, have been privatised and 17 are state-run enterprises SAD.

According to the ruling of the Antitrust Office of the SR on concentration of SAD companies, individual companies achieve in temporally unrestricted relevant markets of municipal public transport in cities and outlying regional market a 100-percent share. The relevant market is a spatial and temporal concurrence of demand for and supply of services, which are identical, or mutually replaceable, in satisfying certain needs of the users. It follows from the above, that individual SAD companies have a dominant position in the city and regional markets and this position will not be substantially changed in the near future. The position of transport companies providing public

transport is protected in the market. Economic competition is thus in part excluded.

Relying on the data given in Table 2 above, almost 72% of transport performances in public transport are offered by the transport companies that are owned by the state (state enterprises SAD, ŽSR = the SR Railways). These companies are protected against the threat of bankruptcy by reimbursement of the loss, using state budget subsidies. The motivation for efficient behaviour of the owner is lacking. Only very few private bus carriers operate in regular bus services, within an experiment two of the state enterprises of SAD have been privatised, namely in Skalica and Stará Ľubovňa (SKAND s.r.o., Skalica and BUS KARPATY, s.r.o.).

Public transport companies are more orientated to fulfil the tasks, rather than to achieve a target. The reason for it lies in the fact that they are virtually freed of the risks that follow from the actual developments in sales and costs. Determining of the fares charged is influenced politically (provision of a number of concessions that are not only of social nature) and the regulation of fares through setting maximum prices in price assessment of the Ministry of Finance of the SR.

The MHD transport companies (municipal public transport, further referred to as MPT) in Bratislava, Košice, Prešov, Žilina and Banská Bystrica are municipality-owned.

1.2

The development in the financing of public passenger transport in the SR

The problems in the financing of public transport may be divided into two groups:

1. Subsidies for sales from the aspect of concessions granted.
2. Financing of the replacement of the vehicle fleet.

Following the passage of the Act no. 526/1990 of the Col., on prices, starting on 1 January 1991, price liberalisation began to be applied, the regulation of input prices in public transport (price of transport vehicles, spare parts, oil, etc.) was dropped, but, on the other hand, maximum rates in fares are still being regulated. Moreover, the state no longer provides for systematic replacement of vehicle fleet of, both, bus and rail transport. This results in the generation of external debts, besides internal debts, by public

transport companies, as well as a decline in the quality of public passenger transport.

1.2.1.

Comparison of sales, costs, and subsidies in railway and bus transport

In Table 2 are compared, costs, sales, subsidies and the loss generated in the railway transport for the period of 1995-1999.

From the figures above, we can see that the sales had not been substantially increased, while the costs had been growing considerably.

In bus transport, sales show a steadily rising trend (an increase of SKK 649 million compared to the year 1995 - but, equally, an increase in costs relative to 1995 is considerable, by SKK 511 million. On the other hand, the amount of subsidy for bus transport had been constantly lower - SKK 301 million less on the year 1995 (Table 3).

Table 2: The comparison for the railway transport

Items	1995	1996	1997	1998	1999
Costs (mil. SKK)	6 377	6 348	7 924	7 631	10 045
Sales (mil. SKK)	1 542	1 631	1 954	1 627	1 734
Subsidies (mil. SKK)	1 730	1 998	2 200	2 210	2 210
Loss * (mil. SKK)	-3 901	-3 840	-4 553	-5 221	-4 261

Source: MTPT SR - A proposal to change fares in the railway passenger transport and the analysis of the economic performance of ŽSR for 1998 and 1999,

* - the loss incurred by EJC (economically justified costs)

Table 3: Bus transport

Items	1995	1996	1997	1998
Costs (mil. SKK)	3 727	3 908	4 195	4 238
Sales (mil. SKK)	2 577	2 978	3 188	3 226
Subsidies (mil. SKK)	1 115	758	763	814
Profit (Loss) (mil. SKK)	-35,7	-172,1	-244,2	-200
Transport performance (mil. passenger-km)	6 555	6 034	6 560	6 348
Persons transported (thous.)	*	*	*	452 902
Kilometres made (thous.)	*	*	*	262 281
MPT carried out by SAD:				
Items	1995	1996	1997	1998
Costs (mil. SKK)	622	663	707	747
Sales (mil. SKK)	448	546	584	609
Subsidies (mil. SKK)	118	65,1	92,9	136
Profit (Loss) (mil. SKK)	-56,4	-52,4	-30,4	-2
Transport performance (mil. passenger-kilometres)	1 041	1 064	937	955
persons transported (thous.)	*	*	*	202 923
Kilometres made(thous.)	*	*	*	31 666

Source: A proposal for medium-term program of change to regulated prices in bus transport

* data not available

data for 1999 in such a classification not available

The subsidies from the state budget are provided to cover the loss arising from concessions in fares granted, subject to legislative amendments. Table 4 shows the claims against the state budget on account of concessions provided, and the total amount of the subsidy awarded. In the railway transport, the subsidy calculated against the need is almost SKK 1.9 billion higher, while in the bus transport, the claims had not been settled.

These disproportions in the subsidising policy of the state need to be eliminated as soon as reasonably possible, as the basis of subsidies provided is the reimbursement of costs and reasonable profit in respect of those performances that the supplier is obliged to provide at discounted rates, subject to relevant legislation.

In order to get a whole picture of the subsidising policy of the state, it is necessary to compare the amount of subsidies with the level of cost, sales and performances. Tables 5 and 6 compare the figures for 1998. The figures for 1999 are not available in this structure.

From Table 5 we can see that the bus transport (except for MPT) carried 452 million persons, while getting a subsidy amounting to SKK 814 million, compared to the railway transport that carried only 70 million persons, with a subsidy amounting to as much as SKK 2,210 million.

Figure 1: Comparison of costs, sales and subsidies per passenger-kilometre in bus and railway transport for 1998

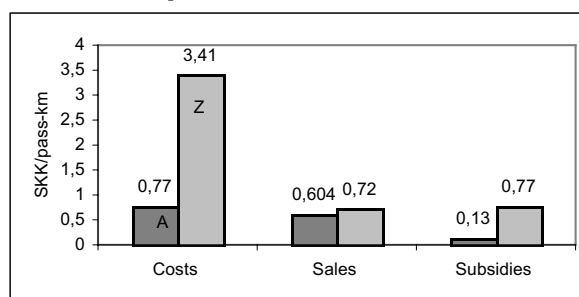


Table 4: A comparison of subsidy consumption due to concessions with the actual subsidy by segments of transport in 1997

Transport	Subsidy need (mil. SKK)	Total subsidy (mil. SKK)	Difference (mil. SKK)
ŽSR	309	2 200	1 891
SAD	1 176	800	-376
MPT	508	704	197
Total	1992,31	3704,3	1711,99

MPT - municipal public transport - by transport companies, Source 1.

Table 5: Costs, sales and subsidies in passenger transport in thousand SKK and performances for 1998

Title of item	Bus transport	Railway transport
Costs	4988804,00	9624048,00
Sales	3837284,00	2059139,00
Subsidies from the SB	814116,00	2210000,00
Profit (loss)	-201385,00	-5354909,00
Persons transported (thous.)	452689,00	70008,00
Performance passenger-km	6343937,00	3769000,00

Source: Processed data of tables. 2,3 and 4

Table 6: Selected ratio parameters for 1998

Title of item	Bus transport (BT)	Railway transport (RT)	RT/BT in%
Costs (thous. SKK)/persons transported (thous.)	11,02 Sk/os.	137,47 Sk/os.	1 247
Sales (thous. SKK)/persons transported (thous.)	8,47 Sk/os.	29,41 Sk/os.	347
Subsidies (thous. SKK)/ persons transported (thous.)	1,798 Sk/os.	31,57 Sk/os.	1 756
Costs (thous. SKK) /performance (thousand passenger-km)	0,770 Sk/oskm	3,41 Sk/oskm	442,86
Sales (thous. SKK) /performance (thousand passenger-kilometre)	0,604 Sk/oskm	0,72 Sk/oskm	119
Subsidies (thous. SKK)/ performance (thousand passenger-kilometre)	0,130 Sk/oskm	0,77 Sk/oskm	592,31

The ratio parameters given in Table 6 have a more accurate illustrative capacity. In 1998, the amount of subsidy per 1 passenger-kilometre in railway transport was 592% higher than in bus (and outlying city-bound) transport. From the aspect of the amount of subsidy per capita, with the amount of subsidy in railway transport reaching as much as 31.57 SKK/passenger compared to bus transport with 1.798 SKK/passenger, it is 1,755% higher.

The lack of clarity in the subsidising policy on the part of the state is also reflected in the decline in the quality of bus transport area servicing, which cannot be superseded by railway passenger transport in those regions or municipalities, where there is no railway connection (the districts of Svidník, Stropkov, Sobrance, Námestovo, etc.). The subsidising policy must be directed at ensuring functionality of both systems of public transport.

1.2.2

The economic situation of bus service companies, railway transport and municipal public transport companies

The regulated prices for services that are provided by public transport operators in transport of passengers, are directly linked to the volume of performances in public interest. These are implemented on the basis of annual contracts of performance in public interest concluded between the state (the orderer) and the carrier (supplier). The orderer of performance in public interest is, in terms of European legislation (Directive no.1191/69/EEC and the Directive no.1893/91/EEC) and our approximated legislation (Act no. 258/1993 of the Collection of Laws on the Railways of the SR, Act no. 164/1996 of the Collection of Laws, on railroads, Act no. 168/1996 of the Collection of Laws on road transport), is obliged to reimburse operators for the loss reported as being incurred by the performance in the public interest.

Bus transport

For the purpose of assessing the amount of loss, operators make calculations of costs linked to the performance ordered, and the costing of sales from transport of passengers. On their basis, the amount of reimbursement for the loss is determined, which is subject to approval within the State Budget Act for the relevant year, though the state does not fully cover this loss. As a result, the deficit in the economic result of public transport operators is growing. For example, in the state-run SAD companies, a deficit worth roughly SKK 800 million is reported every year since 1993, which currently amounts to a total sum of around SKK 5 billion.

On the basis of contracts of performance in public interest, public transport operators provide some services that they would - from the aspect of their commercial interests - either not do at all, or would only do partially. That is why SAD companies are facing a complex economic situation, which is characterised by minimal profitability, undercapitalisation of assets and shortage of resources available for simple reproduction of the vehicle fleet.

SAD companies administer state assets at a volume of around SKK 4.0 billion, which comprise mainly tangible capital assets (land, real property and the vehicle fleet). The vehicle fleet includes 5,000 buses, of which more than 4,000 buses run in outlying city-bound and municipal transport. The average age of these buses is 11.17 years. 17% buses are at the age of technical working life (up to 8 years), of which only 12% buses aged up to 6 years generate depreciation. As a result of the vehicle fleet condition just described, one has to deem the property of SAD companies to be undercapitalised and not capable of further reproduction, as it fails to generate sufficient resources for replacement through depreciation.

The SAD companies will not ensure increased sales through increasing the number of transported persons, as this number is stabilised and shows a slight falling trend following each price change. The solution lies in addressing price regulation and fare concessions, while retaining reimbursement for the loss in respect of performance in public interest, related to the servicing of the territory.

The SAD companies operate in an economic environment of deregulated input prices (oil, tyres, spare parts, etc.) but regulated rates of fares and only partial reimbursement of the loss incurred by the performance in public interest. The SAD companies offset the loss from peripheral and municipal transport by the profit from other business activity, while the loss reported is understated, as the obsolete vehicle fleet's bus write offs in 1999 comprised but 5% of the costs.

The companies have exhausted the internal capacity of development by introducing stringency measures, reducing unprofitable bus connections within regions, and expanding entrepreneurial activity and they no longer manage to improve their economic situation in any significant way. Equally, they are not able to ensure the necessary replacement of the worn-out vehicle fleet from their own resources.

The regular bus service has been generating loss under conditions of regulated prices and social concession recognition almost from its inception. In the command economy, the loss was covered by subsidies for operations from the state budget, or from the profit of the freight transport, with replacement and development of the vehicle fleet being financed from the state budget.

In the preceding years, the sector failed to adopt systemic measures to improve the economic situation of the companies that would concern deregulation of fares, abolishment of concessions and financing replacement of the vehicle fleet from the state budget.

Table 7 gives an outline of costs, sales, and subsidies towards sales in regular bus services for the period of 1995-1999. Even the increase in maximum prices, and thus partly overall sales and the rationalisation measures in reducing bus connections, did not preclude the negative trend in the economic result of bus service companies.

Table 7. Costs and sales from transport activity of regular bus services for 1995 - 1999 in mil. SKK

Parameter/years	1995	1996	1997	1998	1999
Own costs	4 349	4 507	4 902	4 984	4 882
Transport sales	3 024	3 523	3 771	3 834	3 763
Subsidies into sales	1 232	823	856	949	919
Loss	-92	-224	-274	-201	-200

Source: MTPT SR - aggregate statements on sales and costs of bus services

Table 8: Selected economic results of state enterprises SAD for January-August 2000 in thousand SKK

	Outlying city-bound	MPT (MHD)	Long-distance	Tours	Total
Total costs	2 696 285	553 926	621 885	222 199	5 526 664
Total output	2 568 652	530 235	675 392	251 438	5 240 769
Transport sales	1 996 069	421 580	675 392	251 438	3 344 479
SB subsidies	569 402	104 112	x	x	673 514
Other contributions	3 181	4 543	x	x	7 724
Other activity sales	x	x	x	x	1 215 052
Total profit	x	x	x	x	-285 895
Transport profit	-127 633	-23 691	53 507	29 239	-68 578
Other act. profits	x	x	x	x	-217 317

Source: Bus Service Association - Analysis of the economic result for January -August 2000

The increase in diesel oil price, in particular, has a negative impact upon the financial management of bus service companies in 2000. Table 8 gives selected economic results of state enterprises SAD for the period between January and August 2000. The preliminary loss, as reported by the companies as a whole, amounts to more than SKK 285 million.

Railway transport

ŽSR has been reporting loss since 1996, which grew progressively from SKK 1.0 billion in 1996 to SKK 5.85 billion in 1998. The main reason for it lies in the unresolved financial relation between the state and ŽSR in the area of failure to cover the loss incurred in providing services in public interest in passenger transport at full amount of economically justified costs, in terms of effective legislation. If we add the loss from the passenger transport of past periods as well, i.e. from 1994, we will end up with a total deficit in excess of SKK 12 billion. In this context we need to point out to a difference between the loss of passenger public transport due to economically justified cost linked to performance in public interest and the loss derived from other activities within ŽSR.

MTPT SR in its proposal of the budget for 2001 requests for ŽSR SKK 2.71 billion for the performance in public interest, while ŽSR demands as much as SKK 4.3 billion. The biggest difference is in capital spending of ŽSR, where the railways demand SKK 4 billion from the state for track reconstruction, while the budget assumes only SKK 275 million.

The main activity, comprising performances in passenger and freight transport, accounted decisively for the costs and earnings of ŽSR. In 1997, freight transport, too, generated a loss.

Within the process of restructuring railways, in October 2000, the Government approved of transforming the state enterprise into two joint stock companies - ŽSR and Železničná Spoločnosť. Within the transformation project, they have not decided, however, about the way of covering the differences between the regulated price for the use of transport route and the economically justified costs, which are not precisely specified. The contract of performance in public interest should be prepared in such a way as to allow to be used in respect of both companies.

Table 9: Economic results of ŽSR for 1995 - 1999 in mil. SKK

	1995	1996	1997	1998	1999
Costs	20 465	21 205	24 478	28 136	29 189
Earnings	20 759	20 708	20 279	22 286	23 947
Income tax	291	0	0	0	0
Profit/Loss	3	-497	-4 199	-5 849	-5 242

Source: ŽSR - Annual Report of 1997, Analysis of the Economic Results of 1998 and 1999

Table 10 : Costs and earnings in passenger railway transport in the SR

in mil. SKK	1995	1996	1997	1998	1999
Costs	6 377	6 348	7 924	9 624	10 045
Earnings	1 542	1 631	1 954	2 059	2 069
Reimbursement from the SB	1 730	1 998	2 200	2 210	2 210
Profit/Loss	-3 105	-2 719	-3 770	-5 354	-5 766

Source: The data for 1995 - 1997 according to the Annual Report of ŽSR of 1997, the data for 1998 and 1999, according to ŽSR - An Analysis of the Economic Performance of ŽSR for the year 1999

Table 11: The structure of the vehicle fleet in MPT in the SR

Kind	1993	1994	1995	1996	1997	1998	1999
Trams	405	247	399	390	379	376	371
Trolleybuses	192	177	241	261	250	261	270
Buses	1 110	1 029	1 009	968	942	953	979
Total vehicles	1 707	1 453	1 649	1 619	1 571	1590	1620

Source: Association of MPT operators in urban agglomeration of the SR

Municipal public transport companies

The Slovak Republic covers an area of 49,035 km², the settlement comprising 2,875 municipalities of which 136 are cities. Administratively, Slovakia has been divided into 8 regions and 79 districts. Public transport of passengers is provided by 17 SAD companies and 5 transport companies which are in charge of municipal public transport.

In 1998, the transport companies reported a running performance of 75.37 million kilometres. A roughly similar figure applies to the years 1996 and 1997. Unfortunately, there has not been much success achieved in increasing the proportion of electric traction, which currently accounts for only slightly less than 37 percent. The reason for it is the high investment demands. Hence, the strategic objectives in the area of environmental policy for the sector of municipal public transport (MPT) are not accomplished. Table 11 gives the numbers of transport companies' vehicles by individual kinds of municipal public transport.

In four cities with transport enterprises, the number of persons transported is falling, only in Bratislava it is slightly increasing. The costs of these five companies went up from SKK 2.15 billion in 1996, to SKK 2.87 billion in 1999. The increase is due to the growing inputs in the companies' economy. The sales from MPT went up from SKK 1 billion in 1996 to SKK 1.27 billion in 1999.

In spite of the increasing fares in individual cities, the increase in sales lags behind the increased costs of transport companies. The number of persons transported is also declining.

The transport companies of municipal public transport are more or less owned by municipalities (Bratislava, Žilina, Banská Bystrica, Prešov, Košice) and their tariff policy is managed from the level of local authorities of public administration subject to relevant price legislation. The subsidies into municipal public transport are set annually in the State Budget Act within binding limits under subsidies for municipalities for the relevant year. The higher costs in the cities above may be attributed to the fact that they function in urban areas where people are accustomed to using public transport more intensely and the cities also have to provide public transport for commuters from the surrounding region.

In order to make an overall comparison of the „efficiency“ of individual kinds of public passenger transport, Table 12 gives costs and sales of transport activity for 1999 in bus, railways and municipal public transport.

From the aspect of sales/costs ratio, the railway passenger transport is the worst off. It all reflects in the requirement for subsidies by individual kinds of transport and also in the economic position of public passenger transport companies in the SR.

Table 12: Comparison of costs and sales of transport activity for regular bus services, railway passenger transport and MPT, run by transport companies in the SR for 1999 in million SKK

Year 1999	Bus transport	Railway transport	Municipal public transport
Costs	4 882	10 045	2 877
Sales	3 763	2 069	1 279
Loss	-1 119	-7 976	-1 598
Sales/Costs	0,77	0,2	0,44

Source: Bus transport - MTPT SR - aggregate statements of bus service companies, Railway transport - Analysis of the economic result of ŽSR for 1999, General Directorate of ŽSR, Municipal public transport - Association of MPT operators in urban agglomerations of SR

2.

The evaluation of the current technical and financial condition of SAD companies

2.1. Comparison of the technical condition of the SAD vehicle fleet

The finalisation of the solution of the vehicle fleet replacement is one of the major issues that may have essential impact upon servicing of the SR territory by public passenger transport already in the near future.

SAD companies administer state assets at a volume of around SKK 4.0 billion, which comprise mainly tangible capital assets (land, real property and the vehicle fleet). The vehicle fleet includes 5,000 buses, of which more than 4,000 buses run in peripheral city and municipal transport. The average age of these buses is 11.17 years. 17% buses are at the age of technical working life (up to 8 years), of which only 12% buses aged up to 6 years generate depreciation.

As a result of the vehicle fleet condition just described, one has to deem the property of SAD companies to be undercapitalised and not capable of further reproduction, as it fails to generate sufficient resources for replacement through depreciation. The obsolete and worn-off vehicle fleet poses a threat, both, to road safety and to passengers. This situation is due to a long term shortage of investment in bus transport (systematic replacement had only been followed until 1992).

Table 13 gives the vehicle fleet condition referred to above for buses in state-run SAD companies early in 2000 and the course of action taken for replacement after 1990.

Table 13 Age structure of state enterprises SAD buses at 1 January 2000

Con.			Number of vehicles by year of inclusion in operation																			Total	Aver.. Age	
no.	Company	Production year	79	80	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99		
	SAD	bus age.	21	20	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1		
1	SAD Bratislava						12	9	17	39	42	48	35	13	6	20	11	20	18	14	1	10	315	9,7
2	SAD Trnava				1	3	8	15	29	51	57	47	47	16	8	15	15	15	9	3	15	2	356	10,4
3	SAD D. Streda						3	12	15	26	21	31	19	5	4	5	7	6	1	4	7	1	167	10,6
4	SAD Trenčín				6	7	21	28	51	66	65	77	46	14	6	7	11	20	6		5	3	439	11,5
5	SAD Prievidza				3	10	18	33	38	40	39	43	30	17	11	5	4	11	7	4	5	2	320	11,6
6	SAD Žilina		1	1	7	4	22	37	35	52	44	64	53	11	13	1	2	14	11	1	13		386	11,5
7	SAD L. Mikuláš		1	1	5	12	17	32	34	34	37	45	34	4	3		1	10	4		5	1	280	12,2
8	SAD B.Bystrca				3	12	10	13	21	27	31	35	52	13	7	1		10		5	7	3	250	11,2
9	SAD Zvolen				4	11	19	28	35	51	52	60	51	28	15	1	4	14	3	1	7	4	388	11,4
10	SAD Lučenec					6	8	9	11	12	14	17	16	2	2			2	1		4	1	105	11,9
11	SAD Nitra				3	5	8	16	43	52	47	60	39	7	8	14	17	20	4	5	9		357	10,9
12	SAD N. Zámky				4	5	25	28	62	57	54	57	36	7	4	14	16	17	5	1	10	4	406	11,4
13	SAD Košice					2	9	8	21	36	55	69	66	27	14	5	1	14	10	4	11	6	358	10,3
14	SAD Michalovce						7	6	18	36	33	48	48	20	12			14	7	1	6	2	258	10,53
15	SAD Prešov					1	1	13	20	28	38	50	43	16	10	3		10	3	2	7		245	10,8
16	SAD Poprad				1	1	4	9	19	19	26	35	33	11	8			8	2		2		178	11,2
17	SAD Humenné				1	1	7	25	26	31	33	36	39	15	10	2		6	2	1	10		245	11,3
	Total		2	2	39	80	199	321	495	657	688	822	687	226	141	93	89	211	93	46	124	39	5054	11,1

2.2.

Comparison of the financial situation of the SAD companies

Though the bus transport is most profitable according to all data referred to thus far, even here a decline in the numbers of persons transported has occurred, with the number of transported persons not even achieving half of that in 1992 (Table 14).

(MTPT SR - Bus transport, state enterprise SAD)

At 1 February 1999, the maximum bus prices went up 20%, but the gains in sales did not amount to 20 percent. Among the companies that saw even a drop in unit sales was SAD š.p. Prievidza, which went down from 15.26 SKK/km in 1998 to 14.23 SKK/km in 1999.

A comparison in sales increase for 1999 relative to 1998 is made for peripheral city and long distance bus services, where price regulation is applied through setting maximum prices.

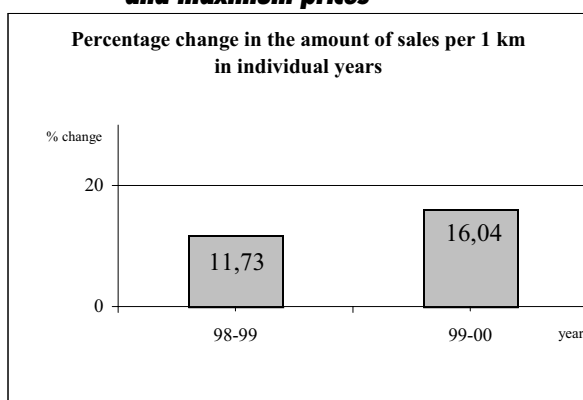
The increase in sales on the year 1998 is only 11.73%, against a 20% increase in maximum prices. SAD, š.p. Bratislava, for example, achieved an increase in sales of only 6.63% and SAD, š.p. Žilina only 6.33 percent.

The graph in Fig.2 shows the relation between the gain on sales and the increase in maximum fares in regular bus service except for MPT. The increase in sales of around 12 -14%, estimated by operators, is on average even lower for 1998-1999.

The average increase in sales per performance unit for the first quarter of 2000 is 16.04 percent. However, the comparison above is not relevant yet, as it does not capture potential drop on sales during holiday months, and the like. On the other hand, there is the effect of January, when maximum fares had not been raised yet. Thus a more correct comparison will only be possible on completion of the year 2000.

Increase in sales thus is not directly related to the increase in maximum prices. Therefore, in increasing fares, account should be taken also of other influences, such as the effect of price on the demand for transport service.

Figure 2: Comparison of gains in sales and maximum prices



In looking at unit sales, costs and subsidy provided, as given by individual state enterprises of SAD in Table 16, we will find that, for example, unit costs in peripheral city bound transport fluctuate between 17.71 SKK/km to 22.98 SKK/km, the sales range within 12.74 SKK/km and 16.56 SKK /km and unit subsidies within 3.30 SKK/km and 5.45 SKK/km.

Table 14 Decline in numbers of transported persons in regular bus transport

Persons transported / mil.	1992	1993	1994	1995	1996	1997
Bus transport	866	702	644	614	504	446
Decline in no. of transported persons	-	164	58	30	110	58
Decline in %	-	19	8	5	18	11,5

Source: MTPT SR - Autobusová doprava, š. p. SAD

Table 15 Relation between the tariff growth and the volume of sales

Region	SAD š.p.	Bus companies - merged	Year				% 1999-1998
			1998		1999		
			Sales 000s SKK	Sales SKK/km	Sales 000s SKK	Sales SKK/km	
Bratislavský	Bratislava	did not merge	361 280	18,7	385 402	19,94	6,63
Trnavský	Trnava	Trnava Hlohovec Senica without Myjava Piešťany	189 255	11	210 727	12,57	11,93
	D.Streda	D.Streda Galanta without. Šaľa	110 813	11,62	124 046	13,2	13,6
Trenčiansky	Trenčín	Trenčín Ilava Nové Mesto n. Váhom Púchov Pov. Bystrica oper. Myjava	214 790	11,39	237 454	12,73	11,76
	Prievidza	Prievidza Bánovce n. Bebravou operation Partizánske	129 108	12	140 028	13,14	11,5
Nitriansky	Nitra	Nitra Zlaté Moravce Vráble Topoľčany without oper. Partizánske	211 356	11,76	235 898	13,4	13,95
	N.Zámky	Nové Zámky operations Šaľa Komárno	132 038	10,82	150 112	12,07	11,55
Žilinský	Žilina	Žilina Čadca Turzovka Martin K.N.Mesto	233 351	12,63	252 537	13,43	6,33
	L. Mikuláš	L. Mikuláš Ružomberok D. Kubín	164 563	12,69	182 615	14,31	12,77
Banskobystrický	B.Bystrica	B. Bystrica Brezno	129 357	14,11	152 865	16,37	16,02
	Lučenec	Lučenec Revúca Rim. Sobota	139 810	11,01	154 171	12,16	10,45
	Zvolen	Zvolen Žiar n. Hronom Detva Modrý Kameň	207 999	10,92	240 540	12,1	10,81
Košický	Košice	Košice Sp. Nová Ves Rožňava	282 337	12,2	310 201	13,98	14,59
	Michalovce	Michalovce Kráľ. Chlmec Trebíšov	168 962	10,51	187 534	11,99	14,08
Prešovský	Prešov	Prešov Bardejov Lipany without Levoča	203 833	11,52	228 929	12,9	11,98
	Humenné	Humenné Vranov n. Topľou Svidník	131 449	10,67	149 491	12,16	13,96
	Poprad	Poprad operations Levoča SAD OP Levoča	76 002	12,9	107 380	14,14	9,61
Celkom			3 086 303	12,14	3 449 930	13,56	11,73

Source: MTPT SR - Autobusová doprava š.p. SAD

Table 16: Sales, costs, and subsidies in SAD companies for January-August 2000 in SKK/km

	Transport sales per 1 km (SKK)			Total costs per 1 km (SKK)			Subsidies per 1 km (SKK)	
	OCT	MPT	LD	OCT	OCT	LD	OCT	MPT
Banská Bystrica	16	32	22	23	34	21,38	4,57	9
Bratislava	16	15	39	22	22	31,03	3,73	7,34
Dun. Streda	14,82	7,82	18,37	20,09	19,46	16,42	4,42	9,29
Humenné	14	14	15	20	25,12	16,05	5,45	9,86
Košice	15,86	20,95	22,11	21	23,46	20,43	4,89	4,57
Lipt. Mikuláš	15,87	21,79	15,64	20	27,77	13,8	3,76	3,2
Lučenec	12,74	23,22	13,81	18,78	28,59	14,43	4,64	9,99
Michalovce	13,62	11,99	15,64	20,07	24,83	14,9	5,41	4,16
Nitra	15,34	24,8	16,74	18,87	30,81	17,32	3,3	3,98
Nové Zámky	13,06	13,92	16,69	17,71	22,92	14,81	3,36	4,01
Poprad	16,56	17,43	17,2	21,28	27,71	18,33	3,88	8,98
Prešov	14,43	21,07	17,16	18,62	30,27	17,35	4,14	6,21
Prievidza	14,92	24,73	16,29	19,99	26,35	16,21	3,95	2,23
Trenčín	14	22	13,64	19,91	27,95	13,91	3,94	3,9
Trnava	14	20,12	15,53	20	27,39	14,53	4,55	5,23
Zvolen	14,02	16,6	15,91	20	22,76	14,52	4,6	5,93
Žilina	15,68	24,2	16,54	19,26	28,72	13,76	3,52	3,87
Total companies	14,7	21,5	19,43	19,86	28,25	17,89	4,19	5,31

Source: association of bus transport - The Analysis of the Economic Result for January-August 2000

OCT - outlying city transport

MPT- municipal public transport

LD - long-distance coach transport

In respect of the cost of outlying city-bound bus transport, a question arises whether the difference between operators in the amount of economically justified cost of 5.27 SKK/km is possible. In this respect, the adoption of generally binding regulation for setting of the economically justified cost is necessary for the future

If, however, we compare the unit sales achieved with those of unit costs in long-distance coach transport, (the distance of the starting and final stop being more than 100 km), we will have seen that the January to August unit sales were lower in the following SAD companies: Humenné, Lučenec, Nitra, Poprad, Prešov and Trenčín. The question then arises: why does the state regulate prices also in long-distance coach transport when it does not subsidise it (only outlying city-bound and municipal bus transport are subsidised). In the companies referred to above, this transport adds to their overall loss. On the other hand, in long-distance coach services, the SAD companies achieve, on average, 2 SKK/km lower unit costs than in outlying city-bound bus services.

3.

Setting equalisation criteria to bring about equality of the level of individual SAD and needs for resources

3.1

Setting of the economically justified costs

The provision of transport services in public interest is legislatively derived from the Commercial Code no. 513/1991 of the Col., as later amended, and, for bus transport, it is provided for in the Act no. 168/1996 of the Collection of Laws, as later amended. For the railway transport, provisions of Act no. 164/1996 of the Collection of Laws on railways are applicable and the performances in public interest are contractually implemented, from 1994, subject to the Act no. 258/1993 of the Collection of Laws on the Railways of the SR, as later amended. The tariff obligation, as part of the content of the public interest is provided for through price regulation in public passenger transport, subject to the Act no. 18/1996 of the Collection of Laws, on prices, as later amended. The implementing regulation no. 87/1996 of the Collection of Laws for this law makes provisions in price regulation for the application of the economically justified costs (EJC), linked to the performances which are assessed with regulated prices, i.e. maximum set prices.

EJC are demonstrated by accounting documents, calculations of costs, billing or tax and customs documents, etc. but a generally binding regulation for determining, setting or reporting EJC is missing. It particularly applies to the case of public passenger transport, as the burden of obligation to perform in public interest is laid on it, on the grounds of transport servicing for regulated prices. By application of a regulation, comparability of reported and actually

effected costs is ensured of performances implemented in public interest. Equally, prerequisites are created for stricter checks of cost disbursement linked to the performances in public interest.

If we rely on the **Directive of the Council no. 1893/91 pertaining to financing obligations in public service in railway, road and water transport, as later amended**, there are, essentially, two methods distinguished of calculating the reimbursement provided:

Reimbursement due to tariff obligation (other reimbursement) - the difference between actual sales with concessions provided, and the sales that might be expected with concessions not provided

Reimbursement due to operational obligation (*the difference between the costs and the receipts from transport activity - loss*).

A generally binding regulation that would concern economically justified costs and the evidenced loss should address both „reimbursements“.

Such a generally binding regulation should define the content of cost items for transport operators, what should not be included in costs, the method of calculating costs, etc.

In order to determine the anticipated level of EJC in the future, it is necessary to start from and use, for example, the following cost model:

$$VN = N_f + n_v \cdot V \text{ (SKK)}$$

where: VN - total anticipated cost (SKK),
 N_f - annual fixed cost (SKK),
 n_v - variable cost depending upon km driven (SKK/km),
 V - annual driving performance (km).

This model captures the dynamics of the change in variable cost (such as anticipated changes in fuel prices) and also the dynamics of change in required performance in the forthcoming period. It also requires that variable cost be set per unit of performance, i.e. in SKK/km.

The regulation should also include the requirement for the exercise of state professional oversight in road transport. The professional oversight bodies, within their authority, should check the amount of cost inputs, the application of the calculation procedure for EJC, referred to above, and focus mainly on the breakdown of overhead cost also in relation to other activities of the firm.

Note: What should definitely not happen, is that there would be difference, e.g., in fuel consumption, exceeding 5 litres/100km, between individual transport carriers, operating under comparable conditions and on the same types of buses.

EJC is but one aspect of the implementing regulation. It should also contain the issue of sales for regular bus services and the municipal public transport.

Sales from transport activity for a connection, or a set of connections (lines).

1. Fares and freight charges for the luggage and bus deliveries (without VAT)
2. Other sales from regular bus services

The calculation item includes the proceeds of sale of fares in buses, proceeds of sale of timetables, proceeds of advertising, proceeds of bus stations, proceeds of fines that are not transferred to the state budget and other extraordinary proceeds.

It is also necessary to add provisions for the issue of reasonable profit in the implementing regulation to the amendment of the Act no. 168/1996 of the Collection of Laws on road transport. If in bus depreciations only book value write offs are calculated, the thus fixed EJC would not ensure replacement of the vehicle fleet, which is obsolete, (average age exceeding 11 years).

Reasonable profit

This model from the Czech Republic might be used, where the reasonable profit is calculated as a source of simple reproduction, with assumed 8 years of economic life for buses.

The calculation of the reasonable profit is defined according to the following formula:

$$\left[\left(\frac{\text{Number of buses} \times \text{bus price}}{8} - \text{bus depreciation} \right) \times \text{coefficient} \right] - \text{subsidies} - \text{leasing}$$

where:

number of buses:

average number of buses used for transport servicing, increased by 10% for repair and advance payment, approved by the transport section,

bus price:

it is an average price of new buses, as declared by the Ministry for Transport and Communications of the CR for the relevant year (possibility to use the producers' bids from the aspect of a tender)

coefficient:

serves to off-set transfer obligations on reasonable profit and is based on the following

$$\text{calculation: } \frac{100 - \% \text{ income tax}}{100}$$

subsidy:

conditional subsidy from the state budget (for designated purpose)

leasing

leasing down payments for buses purchased using leasing (in bus transport this item is negligible, that is why we have not taken it into account)

Demonstrable loss is determined when we add reasonable profit to economically justified cost and deduct from it the actually achieved sales.

Equally, other principles may be given that should be provided for in the generally binding regulation, that should be issued to the amendment of the Act on road transport.

The demonstrable loss in regular bus services is the difference between the sum of economically justified cost and the adjusted reasonable profit, and the sales achieved. The calculation is related either to individual connections, the line, or a set of lines of regular public bus transport, which are operated by a transport operator as the result of ensuring transport servicing, complying with the terms of the contract of performance in public interest.

The **reasonable profit** is the amount which, after tax and the minimum transfer to mandatory funds, does not exceed 1/8 of the price of the buses used for public line passenger transport, ensuring transport servicing by fulfilling the contract of performance in public interest, reduced by an amount of total actual book write offs of these buses and the amount effected on the investments related to the operations of regular public bus services, provided the relevant administrative body (transport section) gave consent to these investments for the purposes of their inclusion in the calculation of the demonstrable loss.

The condition given above is deemed to be satisfied, where the vehicle has made more than 80% of its kilometres driven, in regular public bus transport.

The investments connected to the operations of public regular bus transport are deemed to be the investments in:

- a) technical infrastructure of the operations,
- b) information and clearance systems for passengers,
- c) equipment of bus station, platforms, and stops,
- d) technical facilities for operations control, where they are the property of the transport supplier.

From the reasonable profit, the transport supplier will deduct the acknowledged state budget subsidy for the purchase of newly manufactured buses, the subsidy

from the regional offices or municipal budgets for the purchase of newly manufactured buses.

For the calculation of the reasonable profit, the transport supplier will use the price, announced in advance for the calendar year by the Ministry of Transport and Communications for individual types of buses.

The resulting amount is the adjusted reasonable profit for the purpose of applying the demonstrable loss.

The performance of state professional oversight in road transport in financing transport servicing

A person entrusted with the performance of state professional oversight in road transport (further referred to as „oversight“) within his/her authority checks:

- a) cost inputs, mainly the breakdown of overhead cost,
- b) recording of sales from collections from to passengers,
- c) efficiency of the clearance system for passengers,
- d) way of record keeping of other documents used by the operator for the calculation of demonstrable loss.

We need to note that precise calculations will differ across regions, in the view of operation conditions, however, the differences should not be as large as they are now.

Table 17: The anticipated age structure of the vehicle fleet of the state enterprise SAD in 2005

Con. no.	Company	Year of production of bus.	Number of buses by year of inclusion in operation															
			90	91	92	93	94	95	96	97	98	99	0	1	2	3		
1	SAD Bratislava		35	13	6	20	11	20	18	14	1	10	11	11	11	11		
2	SAD Trnava		47	16	8	15	15	15	9	3	15	2	10	10	10	10		
3	SAD D. Streda		19	5	4	5	7	6	1	4	7	1	9	8	8	8		
4	SAD Trenčín		46	14	6	7	11	20	6		5	3	9	9	9	9		
5	SAD Prievidza		30	17	11	5	4	11	7	4	5	2	9	8	8	8		
6	SAD Žilina		53	11	13	1	2	14	11	1	13		10	10	10	10		
7	SAD L. Mikuláš		34	4	3		1	10	4		5	1	9	8	8	8		
8	SAD B.Bystrca		52	13	7	1		10		5	7	3	10	10	10	10		
9	SAD Zvolen		51	28	15	1	4	14	3	1	7	4	9	8	8	8		
10	SAD Lučenec		16	2	2			2	1		4	1	9	8	8	8		
11	SAD Nitra		39	7	8	14	17	20	4	5	9		9	8	8	8		
12	SAD N. Zámky		36	7	4	14	16	17	5	1	10	4	9	8	8	8		
13	SAD Košice		66	27	14	5	1	14	10	4	11	6	10	10	10	10		
14	SAD Michalovce		48	20	12			14	7	1	6	2	9	8	8	8		
15	SAD Prešov		43	16	10	3		10	3	2	7		10	10	10	10		
16	SAD Poprad		33	11	8			8	2		2		9	8	8	8		
17	SAD Humenné		39	15	10	2		6	2	1	10		9	8	8	8		
	Total		603	226	141	93	89	211	93	46	124	39	160	150	150	150		

3.2

A proposal for the vehicle fleet replacement

The Ministry of Transport, Posts and Telecommunications has produced a time schedule for the replacement of the vehicle fleet, which anticipates the following change in the age structure - Table 17.

The data given in Table 17 are based on the following assumptions:

- with regards to the finance earmarked from the state budget for 2000, the assumption is to purchase 160 new buses (in the tender, large capacity KAROSA buses and small capacity MERCEDES buses were selected),
- in the following period (2001-2005), on average, 150 new buses will be procured annually, while their distribution to individual SAD companies is accidental,
- the falling trend in the number of persons transported will be reflected, in a direct relation, in cuts on the number of buses, which would mean a reduction of 12,3 % on 1999 (i.e. to eliminate 606 buses with the remotest years of production each year).

The system, just described, for the elimination of buses in SAD companies would mean, that the average age of buses in 2005 would be 10.7 years, and compared to the year 2000 (11.1 years) would not be substantially decreased.

On the other hand, even with the retirement of old buses, the average age of buses will not be significantly improved. But with this replacement of the vehicle fleet, the overall number of buses will be reduced to 2,575. This will likely be reflected in considerable cutbacks of transport servicing of the territory. The solution would be to launch heavier use of small capacity buses, which has only been happening, in any significant measure, as late as in 2000.

According to the data of the MTPT SR, published, for example, in [6], the replacement of the worn-off vehicle fleet in outlying city-bound transport and municipal public transport concerns around 3,500 buses and, over the course of next two years, further around 200 buses older than 6 years, i.e. 3,700

buses in all. Under the price relations of 1999, (around SKK 3 million per 1 bus), the replacement of the vehicle fleet will require additional investment amounting to SKK 12.5 billion. The requirement of the inescapable replacement of the worn off vehicle fleet over the course of 4 years constitutes a need for additional investment of SKK 3.1 billion annually. The regular replacement of the vehicle fleet after 8 years of being in operation requires annual investment of around SKK 1.5 billion (replacement of approximately 500 buses a year). These costs, which in the economic performance of the companies are to show as depreciation generation for simple reproduction, require an increase in companies' sales.

Given the present capacity of subsidies from the state budget, the requirements above, are beyond reach, when for example for 2001, the assumption is to earmark SKK 200 million for the replacement of the vehicle fleet from non-budgetary resources, with anticipated revenues from privatisation.

It is expected that by changing the ownership relations, room will be created for the entry of investors, which will see to the replacement of the vehicle fleet and to a more efficient use of the assets. The state-run SAD companies have reserves in efficiency of their operations, for example, having too many servicing workers and technical and economic staff for the number of operation staff.

There is also a need to review efficiency of subsidies into railway and bus transport as to the mass transport of passengers with regard to the internalisation of external cost of individual kinds of transport, the current level of tax burden, etc. We have to note that if the system of outlying city-bound bus transport in Slovakia fails to „survive“, it is not going to be replaced by the railway passenger transport, moreover, the operations of the railway passenger transport require by far more finance from the state budget compared to bus transport.

In the future, too, bus transport will continue to hold most significance in its outlying city-bound and municipal public transport. That is the reason why it should be given particular attention, being the main system of public passenger transport, and adopt steps for replacement of the obsolete vehicle fleet.

4.

Definition of the performance in the public interest, setting its scope, ways and form of financial compensations

4.1

Performances in public interest in public passenger transport and the system of financing them at present

Financing of the performances in public interest is currently provided through state administration bodies - the Ministry of Transport and the Regional (state administration) Offices.

Regional Offices are the contracting partners to the public bus service operators. The resources for reimbursement of the loss attributed to the provision of public bus services in public interest are committed under the budget chapter assigned to ensure regular public bus services.

For the sake of comparison, we give transfers for particular regional offices, which are responsible for regular public bus services. The transfers are intended to cover the reduced sales due to provision of concessions in fares and for servicing of the territory.

Table 18: Current transfers for Regional Offices for the provision of regular public bus transport for 1999 in thousand SKK

Regional Office	1999	2000
Bratislava	55 000	53 000
Trnava	113 000	110 000
Trenčín	119 000	121 000
Nitra	118 000	121 000
Žilina	122 000	121 000
Banská Bystrica	165 000	164 000
Prešov	163 000	164 000
Košice	145 000	146 000
Total	1 000 000	1 000 000

Source: The State Budget Acts for 1999 and 2000

In the draft state budget for 2001 a similar volume of finance is assumed.

At present, there is no legally binding regulation in Slovakia that would set the conditions for demonstrating the amount of loss incurred by performances in public interest.

In February 2000, a study was produced in the Research Institute of Transport in Žilina commissioned by the Association of Bus Transport Operators, entitled „The Impact of Unpaid State Obligations for the Performances in Public Interest Upon the Economic Results of Regular Bus Service Companies (SAD)“. In this study, on the basis of a formula and using the methodology of the CR, subject to the Implementing Regulation of the Czech Ministry of Transport and Communications no. 50/1998 col., on demonstrable loss in public line passenger transport, economically justified costs were calculated and the related loss from operating in public interest. The results of the study confirmed that the subsidies that SAD companies get for the implemented regular public bus services in public interest (approximately SKK 1 billion) are insufficient and that subsidies of SKK 4 billion would be required to meet the need of generating resources for at least simple reproduction.

At present all SAD companies use the electronic EMTEST cashiers, that allow to record accurately performances related to discounted fares, with the exception of monthly pupils' tickets. But neither the MTPT SR, nor the Regional Offices have designed a methodology, or a draft a binding regulation how to use the data in demonstrating actual loss in sales in connection with transportation of people at discounted fares.

The MTPT SR is the contracting partner to the railway transport operator in respect of performance in public interest. The Ministry is obliged to provide ŽSR with financial resources from its chapter in advance quarterly payments, subject to § 54 par.1b) of the Act no. 303/1995 of the Collection of Laws, on budgetary rules.

In reality, the carrier - ŽSR gets each year reimbursement for the ordered performances, which is lower than had been contractually agreed. Equally as in public bus transport, in the railway passenger transport at present there is no legal regulation on the basis of which the carrier might demonstrate the loss, incurred thorough performance in public interest.

ŽSR is generating a loss, which is not only due to the performances in public interest, but also due to state regulated cost for the use of the transportation route, which they can include in their own costs. The SR Government in June 1999 pledged to annually cover the railways loss in passenger transport and assigned the Minister of Transport and the Minister of Finance to commission an audit of economically justified costs in public interest, and acknowledge the amount of cost for 1999 on its basis. This procedure is to be followed in the future as well. The audit was conducted by the firm PriceWaterhouseCoopers, which forwarded the audit's results to the sectors of finance and transport. According to the statement by the auditing firm, the railways were justified to require in addition to the advance payments amounting to SKK 2.210 billion, reimbursement of further SKK 3.551 billion in 1999.

Municipal public transport services are covered from the budgets of municipalities that have established transport enterprises, and also from the state budget through binding limits for subsidies to municipalities, assigned for the purpose of municipal public transport.

Transport companies of municipal public transport are owned by municipalities (Bratislava, Žilina, Banská Bystrica, Prešov, Košice) and their tariff policy is governed from the level of local authorities of public administration, in line with the relevant price legislation. Subsidies into municipal public transport for these transport enterprises are set annually in the State Budget Act, within the binding limits of subsidy to municipalities for the relevant year.

The municipal public transport performances that are provided by state-run SAD, are financed from the current transfers for individual Regional Offices earmarked for regular public bus transport provision (to cover the loss due to granting concessions in fares, and provision of servicing of the territory - see the preceding table), with is a limited amount for municipal public transport. The relevant municipality also shares in financing MPT by subsidies from its own budget.

Even in this area, there is no methodology agreed for determining the economically justified costs for the operators and the calculation of actual loss in sales attributable to discounted fares. In some cities passenger clearance was or is being introduced, using contactless chip cards, which permits operators to count passengers transported and also loss in sales because of discounted fares.

The financing of the public passenger transport is generally governed by some very simple rules. The level and quality of services depends upon the cash flowing into transport organisations. Cash can be received either from fares or subsidies. If the current cash flow is insufficient to maintain a specified level of service, the Government and other responsible bodies have to choose either:

a) to reduce the level of service,

Table 19: Conditional allowances to cities for municipal public transport in the SR in thousand SKK

Cities	1999			2000		
	Current expenses	Capital expenses	Total	Current expenses	Capital expenses	Total
B. Bystrica	39 300	18 500	57 800	43 700	25 300	69 000
Bratislava	528 000	164 700	692 700	585 000	190 000	775 000
Košice	155 000	131 700	286 700	171 000	151 500	322 500
Prešov	48 000	25 700	73 700	53 300	30 700	84 000
Žilina	44 900	24 000	68 900	49 500	25 000	74 500
Total	815 200	364 600	1 179 800	902 500	422 500	1 325 000

Source: Collection of Laws - State Budget Acts for 1999 and 2000

- b) to change tariff conditions related to concessions in fares,
- c) to raise fares,
- d) to increase subsidy,
- e) to obtain better value for money from the transport company, so that the cost of providing the specified level of service falls to match the current cash-flow.

In the SR, it is not clear what course of action has been chosen, but until 1998 it was unequivocally the fourth choice, d), since this avoids taking politically unpopular decisions. From 1999, this has been combined with choice c), as for the first time since 1995, prices got raised in regular public passenger transport, going up in bus transport 20%, and in railway transport 30%, which happened again in 2000.

4.2

Public procurement in the area of public transport in the SR and in the EU

With regard to budgetary expenditure, the countries of the European Union (further referred to as "EU") lay great emphasis on the system of public procurement in water, energy, transport and telecommunications sectors.

Subjects, operating in these sectors, do not carry out business on the basis of competition common in the EU. It follows from the existence of special or exclusive rights, granted to national authorities in this area. As early as in 1993, Directive 93/38/EEC of the Council had been adopted that coordinates procurement procedures applicable to subjects operating in water, energy, transport and telecommunication sectors. It is a huge directive, one of its roles being to prevent inefficient spending in these sectors, which are subsidised from municipal and state budgets, such as, for example, transport. The Directive 93/38/EEC was amended by the Directive of the European Parliament and Council 98/4/EC of 16 February 1998.

The Directive is applicable to:

- the state (state bodies),
- municipalities, public law institutions, and associations,
- „public enterprise“.

Under „public enterprise“ is deemed any enterprise that can be controlled by the state, either directly, or indirectly, on the basis of ownership, financial share, or regulation that is binding on the enterprise.

The directive in transport is applicable to state authorities and public enterprises providing transport services by authority of awarded concessions, licences, etc., particularly servicing certain lines according to timetables with a certain transport capacity.

The basic criterion in selecting a contracting partner should be:

- a) the economically most favourable bid, including different criteria depending on the terms of the order, such as: delivery or date of completion, operating cost, cost efficiency, quality, aesthetic and functional characteristics, technical features, post-sale service and technical support, commitments for spare parts, safety of delivery and price; or
- b) the lowest price.

The said directives were the core for the adoption of the **NC SR Act no. 263/1999 of the Collection of Laws, on public procurement.**

By authority of this act, a procurer is

- a) a state budgetary organisation (fully subsidised), a state contributory organisation (= partly subsidised) and a state (designated purpose) fund,
- b) a municipality, a budgetary organisation of a municipality, a contributory organisation of a municipality,
- c) a health insurance company,
- d) a legal person set up by law as a public law institution.

According to the Public Procurement Act, a procurer may also be a legal person, on which the state or the municipality has a decisive influence, and which runs a business in road transport providing public regular bus services, operates railway route, does business by operating transport on transport routes, etc.

A decisive influence of the state or municipality on a legal person is deemed to be when

- a) the legal person carries out its activity using the property of the state or a municipality, on the basis

of renting, borrowing, or administering the property, or

- b) the majority of shares of the legal person or the majority ownership interest in a legal person is held by the state or a municipality, or
- c) the state or a municipality appoints more than half of the members of the administrative or control bodies in this legal person.

The methods of public procurement include:

- a) public tendering ,
- b) short-list competition,
- c) negotiation proceedings to be published,
- d) negotiation proceedings not to be published.

The methods of public procurement are denoted as below the limit or above the limit, depending on the expected price of the subject of procurement. A public procurement is deemed to be above the limit, where the expected price of the subject of procurement related to a defined circle of procurers, is equal, or higher than the financial limits below.

In the expected price of services, the procurer shall include all cost related to their provision, where they concern

- a) insurance services, also insurance premium payable,
- b) banking services and other financial services, also charges, commissions, interests, and other expense associated with the services.

In determining the expected price of a service, provided on the basis of a contract, without giving the total price, the procurer shall consider, where

- a) the contract is signed for a definite period of up to 48 months, the whole period of the contract,
- b) the contract signed for indefinite period, or a contract for a definite period exceeding 48 months, the 48-times the amount of monthly down payment.

Where the subject of the contract is an obligation of a regular provision, and the contract is renewed at agreed terms, the expected price of the good or services shall be determined

- a) from the price of similar goods or services, that were procured in the preceding calendar year, or preceding 12 months, adjusted for expected

changes in the volume, or price, in the following 12 months, or

- b) from the price of goods or services procured up to 12 months after the first contract, or during the effect of the contract, where this is exceeding 12 months.

The financial limit of the expected price is fixed within the range of EUR 130,000 and 600,000, depending on the category of procurers. Where the service is divided into stages or parts, that will be provided by different contractors, and the expected price of any of its stages or parts is lower than EUR 80,000, this stage or part may be extracted from the overall expected price of the service. The sum of prices of extracted stages or parts thereof, may not exceed 20% of the total expected price of the service. In procuring the extracted stages or parts, the procurer may use the below the limit method of public procurement.

The financial limit in using above the limit method is EUR 5 million of the expected price of works.

Where the works are divided into stages or parts, that will be undertaken by different contractors, and the expected price of any of its stages or parts is lower than EUR 1,000,000, this stage or part may be extracted from the overall expected price of works. The sum of the prices of the extracted stages or parts may not exceed 20% of the total expected price of works. In the procurement of the extracted stages or parts, the procurer may use the below the limit method of public procurement.

Public procurement is announced by publication of

- a) a preliminary notification and notification of the method of public procurement, or
- b) notification of announcing the method of public procurement.

The procurer declares

- a) the use of above the limit method of public procurement in the Public Procurement Bulletin and in foreign press,
- b) the use of bellow the limit method of public procurement in the Bulletin.

After public procurement has been announced in the bulletin, the procurer may, by the date on which terms of reference are made available,

- a) publish the announcement in professional national, or regional press,
- b) deliver the announcement about opening of the public procurement to selected bidders or interested parties, whose subject of business is known to the procurer.

The procurer, by conditions of the announced method of public procurement, may not

- a) restrict participation to prospective bidders or interested parties,
- b) solicit or accept payments, rewards or favours.

The adoption of the Public Procurement Act by the national Council of the SR, received a very positive assessment also in the „Regular Report of the European Commission on the Readiness of the Slovak Republic for the Accession to the European Union for 1999“.

In the draft amendment of the NC SR Act no. 168/1996 of the Collection of Laws on road transport, as later amended, the question of public procurement is dealt with under § 15 par.6: „In concluding a contract of performance in public interest, an administrative body takes account of the economy and cost effectiveness, as well as the possibilities of the state budget or a municipal budget in the relevant calendar year. It will see that the implementation of the transport performances be linked to the lowest possible social cost. Where the scope of financial resources required from the state budget or a municipal budget to reimburse the demonstrable loss exceeds SKK 1 million per 1 operator in one calendar year, and the scope may not be divided among more operators, capable to provide regular bus services under equal terms, the administrative body shall open a public tender, subject to the Act no. 263/1999 of the Collection of Laws, on public procurement.“

From the aspect of public procurement that is related to the performance of regular bus services in public interest, given the existence of 17 state run SAD companies and two private operators that have been granted transport licences for provision of outlying city-bound bus transport, the competition in the present 8 regions and, following the prepared state and public administration reform probably 12 upper-tier territorial units, will be relatively limited.

4.3

The concept of the tariff policy in public transport with regard to its financing

Regulation of fares is both a component part of public interest in the public transport of passengers and its manifestation. It is in the public interest of the state to support the development of public transport, also by stimulating the demand and thus allowing widest populations to achieve their mobility needs in a most accessible, and also most reasonable way. Due to this fact, in our country it is the transport operator that loses out, in whom, the public interest does not coincide with the business interest.

If we attempt in this context to calculate the impact of "the public interest" that remains on the operators' shoulders, it is the difference between the amount of cost and the volume of sales, increased by the relevant subsidy. We do not consider though, the potential profit margin by which this difference would increase.

The updating and elaboration on the principles of state transport policies of the SR, approved by the Government resolution no. 21/2000, gives a framework for the targeted principles, among other things, also in the tariff concept of public passenger transport, namely in the following principles:

No. 10 To create and deepen the mechanism of determining and reflecting external cost of transport (part of the cost arising from traffic accidents, other adverse effects of transport and infrastructure cost not covered by their originators) in the cost of transport operators (external cost internalisation). In response to international trends of the increasing cost burden of transport, to create systemic and legislative prerequisites for transport charging, in relation to overall social cost. To reflect transport charging economically in an efficient pricing in transport.

No. 11 To orientate purposefully pricing in transport to full price liberalisation. To set regulated prices in the event of pursuing public interest, particularly from the aspect of their social bearableness, reducing the environmental damage caused by traffic, and the substantive guidance based on set out priorities

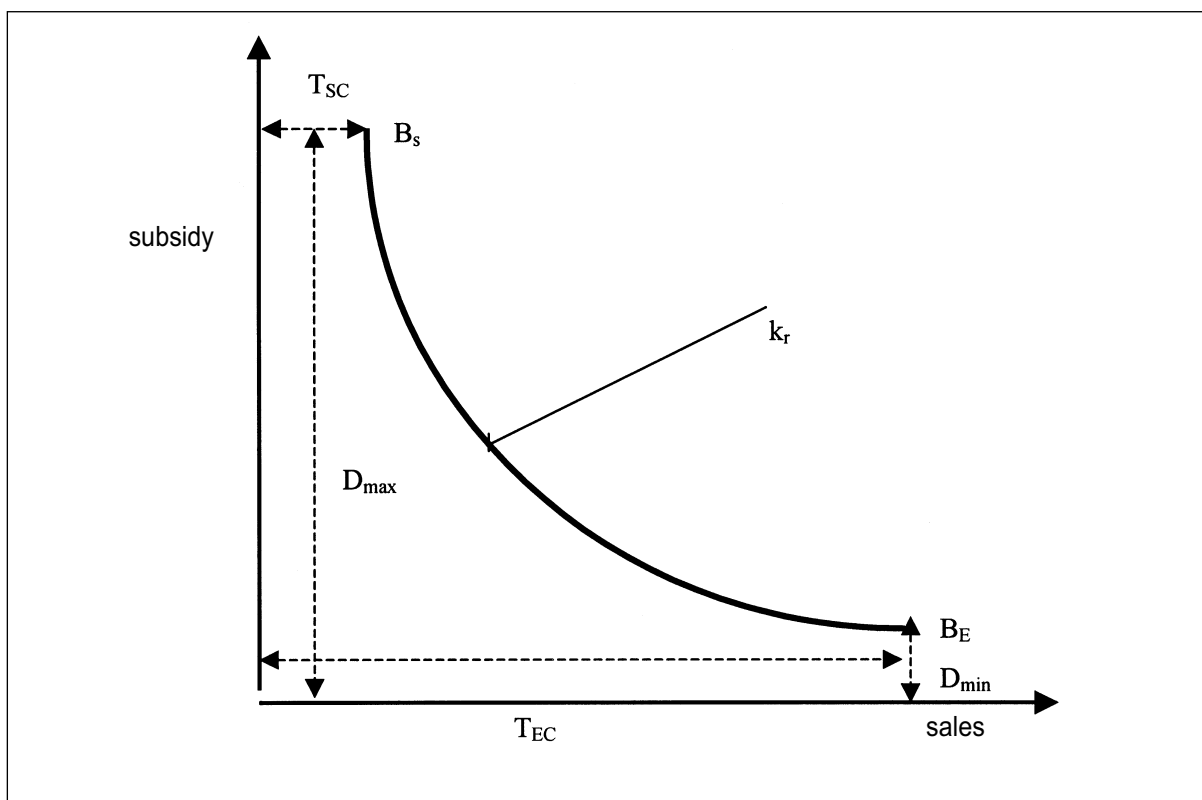
In the view of transport policy, the current though complicated social and economic conditions, create favourable climate for the solution of public interest issues in the area of the tariff policy of passenger transport. These baseline prerequisites, however, need to be transformed into creation of efficient instruments that would ensure the implementation of the transport policy targets in practice.

Among the current weaknesses of the tariff policy is the fact that there is not such a tariff system in place in which inflation and some other effects would permanently be reflected. The failure to take account of these economic categories entails considerable complexity in the financial stability of transport operators, which shows also in their operation capacity.

From the aspect of conceptual prerequisites and systemic objectification of the impact of tariff policy on the equilibrium of the market and social environment in public passenger transport, the following is required, in particular:

- application of a targeted, long term mechanism of tariff adjustment in passenger transport, the role of which is to progressively approximate the level of tariffs to that of the economic price, comparable with countries abroad,
- to devote more attention to efficient checks and cost and sales recording on the part of state bodies, through a systemic assessment of the difference between the economic and the regulated price on the basis of economically justified cost.

Table 20: Revenue-subsidy equilibrium of the transport operator



Legend:

k_r - equilibrium curve (where sales + subsidies = costs)

B_s - social point - the limit point where under circumstances of minimisation of sales and maximisation of subsidy, the operator's financial equilibrium is maintained.

B_E - economic point - the limit point where under maximisation of sales and minimisation of subsidy, the operator's financial equilibrium is maintained.

T_{SC} - sales from social fares

T_{EC} - sales from economic fares

D_{min} - minimum subsidy covering public interest

D_{max} - maximum subsidy to cover loss incurred by social fares

Designing a tariff concept for public passenger transport that would address principally the balancing of a whole complex of effects and pressures upon public transport tariffs, in due time sequencing, is the basic prerequisite for a long term solution. A generally binding regulation for determining economically justified cost tied to the transport performances in public interest, should be part of the concept.

The mission of public passenger transport is defined as provision of realistically existing and changing transportation relations which are of a collective nature, that means, it serves regularly recurring needs of groups of population. The tariff policy should encourage meeting these transportation needs and contribute as much as possible to the efficiency of the transportation process.

In order to harmonise the economic conditions of transport operators, the tariff policy must correspond to the so-called transport cost harmonisation. This concerns mainly the acceptance of full transport cost, including infrastructure, and other external cost arising from transport operations through road pricing and gradual reflection in the price.

The state has an obligation as procurer of performances in public interest to offset the financial situation of transport operators by adopting such a concept of tariff policy that would ensure optimum amount of cost reimbursement, and thus also their economic stabilisation.

The position of public transport operator (whether transformed or not) should remain break even as to the stability of receipts but in a context of **adequacy of transport performance to the transport demand and the economically justified cost** (see Fig.4).

The hitherto one-off „campaign-like“ fares increase, without due systemic support of the state, has always resulted in short lived effect, which, as a rule, has been absorbed by the inflation, without enabling transport operators to raise resources. Only a flexible tariff system, linked to the subsidising policy of the state, constitutes an adequate prerequisite for achieving financial equilibrium by transport operators, but in a context with its social bearableness.

The concept of the tariff policy must take account of:

- the annual effect of inflation upon the amount of cost inputs of public transport operators and its measure of reflection in the tariff,
- gradual shift from provision of social concessions in transport to a more transparent regimen, also with regards to reimbursement of the loss arising from their application,
- the rate of population's income growth and also the development in unemployment in correlation with the demand for public transport services,
- the need to resolve as quickly as possible replacement of the obsolete vehicle fleet (particularly of SAD companies),
- the subsidy and social policies of the state, which are determined by the overall rate of financial underfunding of the national economy,
- creation of conditions of state guarantees to reimburse objectified loss from the performances in public interest on the basis of economically justified cost,
- definition of prerequisites (legislative, economic, social) for gradual liberalisation of fares, that would match with the continuing liberalisation of transport market.

A comprehensive, systemic and conceptual solution of the tariff policy is linked to meeting a number of conditions:

- the identification of the scope of price regulation in public transport
- the definition of the notion and content of the economically justified costs in public transport of passengers, in connection with regulated prices and performances in public interest
- the solution of social concessions granted by the state through transport operators and the system of reimbursing them,
- the choice of liberalising fares in public transport - a cost-benefit progression and the time table, the evaluation of the impact upon the economy of transport operators in relation to the elasticity of demand,
- external cost internalisation - a methodology of cost reflection in the price, cost-benefit analysis and conditions for a progressive implementation, in line with the EU approaches.

If we wish to achieve a systemic solution of the tariff mechanism, having an account of the rate of inflation growth, it is necessary to also take account of the income growth of the population, the development in unemployment, the situation in replacing the vehicle fleet of bus and railway transport and municipal public transport, the requirement for subsidy, and last but not least, also the existing debts of transport companies.

From the principles and the rationale given above, a proposal has been drawn up and submitted to create a mechanism of tariff valorisation in public bus and railway transport.

The mechanism of tariff valorisation for the rate of recorded inflation and the progressive approximation of sales to economically justified costs, represents a target solution of a complex problem of tariff policy, the core of which is correct setting of prices for transportation.

The introduction of the tariff valorisation mechanism has to accommodate also past accumulated losses that resulted from the reported differences to date between the earnings and the cost.

The related systemic attributes of the tariff valorisation mechanism in public passenger transport in both bus and railway transport require that:

- standards of basic public transport servicing of the territory be defined as a matter of public interest, at the level of local public administration authorities;
- a unified procedure for the calculation of economically justified cost, monitoring and reporting of sales in public interest, and the reasonable profit be set in connection with achieving the targets in public interest;
- with regard to the preceding point, unitary procedure be determined for determining the amount of demonstrable loss of the public transportation of passengers;
- to reflect objectified cost in the creation of valorised tariff annually, according to the development in inflation, along with a flexible subsidising policy of the state.

A proposed system for tariff valorisation

This proposal was submitted to the MTPT SR and the MF SR, within the work on a research study, commissioned by the Ministry of Transport and anticipates two stages in its application. The transport operator is to calculate annually the amount of valorised tariff on the basis of the results, achieved in the preceding year, in the structure of prices of regular fares, set according to tariff bands by a valorisation coefficient.

For the stage 1 (accounting for the inflation trend)

$$K_v = \frac{i + p}{2} \quad C_v = C_m \cdot K_v$$

For stage 2 (+ account taken of the existing loss and reasonable profit)

$$K_v = \frac{N + Z}{T + D} \cdot \frac{i + p}{2} \quad C_v = C_m \cdot K_v$$

where:

K_v - valorisation coefficient;

C_v - valorised price of regular fares

N - costs (economically justified costs);

Z - operator's profit at a set amount;

C_m - price in the preceding year

T - sales;

D - subsidy;

i - year-on-year inflation index, expressing increase in cost inputs (preceding year = 1);

p - year-on-year income index, expressing national growth in the income of the population (preceding year = 1).

The transport operator submits its superior state administration body the valorised change of fares, calculated in this way, according to tariff bands. This body, following approval, will refer the proposed change in fares to the Ministry of Finance, to be implemented at 1 June of the relevant year (as of change of timetable) using the annual price assessment.

The valorised amount of tariff and its impact on the reported loss will always, at fiscal year end, be considered in reimbursing loss incurred in provision of services in public interest. This requirement has to be stated in the wording of the contract of performance in public interest.

The proposal of the tariff valorisation mechanism for bus and railway passenger transport relies on the following principles:

- creation of a consistent mechanism for both kinds of transport,
- taking account of the rate of inflation in the growth of operators' costs,
- taking account of the rate of national income growth of the population,
- acceptance of the principles of state transport policy, particularly as to the effect of price rises in fares on the demand for public passenger transport, compared to the individual personal transport
- solution of progressive replacement of the obsolete vehicle fleet.

In parallel with addressing the tariff valorisation mechanism, it is necessary to address:

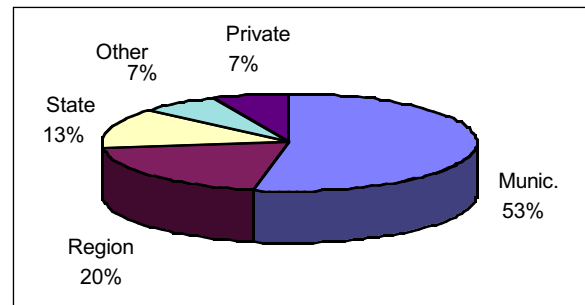
- the issue of awarding concessions on the part of operators and the rate of their compensation,
- shifting provision and reimbursement of social concession within transformation, from transport operators to the institutes of social net and grant them in a targeted way,
- progressive transition to prices that take account of the total economically justified costs (subject to the NC SR Act no. 18/1996 of the Collection of Laws, on prices, as later amended),
- transfer of responsibilities for loss generating regional transport to local authorities of public administration.

4.4 International experience in the area of public transport companies

Early on in 1980s, a process of changes started in the United States and Great Britain , which also affected public transport. It concerned liberalisation, privatisation and deregulation. In advanced countries, and the countries of Central and Eastern Europe, the role of the state, or the proportion of state run industries in the GDP has been gradually diminishing. The share of public ownership in public transport is relatively high.

Following was the ownership structure of the companies running public passenger transport services (municipal and outlying city-bound transport) in Central and Eastern Europe in 1995, according to the documents of UITP (International Union of Public Transport). (See Fig.3)

Figure 3: The structure of public passenger transport companies



UITP described the situation in provision of regular public transport services in the countries of Central and Eastern Europe as follows:

- The companies, as a rule, have obsolete technology and the vehicle fleet, as well as other equipment (this leading to higher fuel consumption, higher maintenance cost, higher needs for staffing, lower productivity of labour, etc.).
- In a number of companies non-transparent accounting practices, performance and cost monitoring prevail, which make rational decision making in transport companies difficult. There is a continuing effort to amalgamate smaller companies with larger ones, and blurring these facts.
- In the state run organisations, in particular, but also in the organisations owned by municipalities, an opinion prevails that it is necessary to step up control, (everybody should control everybody else), rather than have a clearly assigned tasks and one's own accountability and self-control.
- (This entails increased numbers of employees working in the administration and control of the enterprises.)
- The scope for business in the public transport companies is defined by too many external, hence little affectable framework conditions, with major role played by the right of municipalities (cities) or the state of co-decision making, as well as legal and tax conditions.

We may single out the following.

- a) the differences between the tasks politically demanded of the companies and the restricted possibilities of the state or municipalities (cities),
- b) continuing property relations that affect companies' management,
- c) for political reasons, the tariffs are lower than the economic cost of fares,
- d) the owner of transport companies (the state or a municipality) is exercising only formal control, setting of business targets is taking place only to a limited extent
- e) transport companies in many cases supply the social role of the state,
- f) the economic parameters for transport companies of countries of Central and Eastern Europe, show lower productivity of labour per 1 worker, compared to transport companies of Western countries.

Following are the areas of particular weaknesses that can be identified:

- 1. legal status, internal structure, and administration of a transport company,
- 2. overall planning and management of operations (legal awareness and the conduct of the staff),
- 3. management methods and the use of information technology,
- 4. technical condition of vehicles.

In EU countries, the transport of passengers has shown an increasing trend. Between 1970 and 1998, the passenger transportation went up 3.2% each year, with the gain mainly attributable to the air transport, going up as much as approximately 442%, the individual vehicle transport, rising 120%, the bus transport, increasing 40%, and the railway transport, growing 24 percent.

On the other hand, the sharp increase in individual motorist transport in countries of Central and Eastern Europe, entails a greater need for building infrastructure (roads, parking lots, parking areas, etc.). The increased spending on creating and protecting the environment (noise, emissions of pollutants, ground water pollution, building-up of agricultural land, etc.) are growing at a greater pace than the gains in gross domestic product in particular countries. The transport companies are getting into financial difficulties mainly

due to low subsidies and a decline in the number of passengers.

Organisation and management systems in public passenger transport in particular countries of the EU and the CEE countries differ considerably and function on regional specificities.

There are similar differences both, in the systems of state administration bodies in transport and in their functional responsibilities.

The European Union intends to strengthen the economic competition in the provision of regular bus services. According to the information from the EU, three systems occur in its member countries:

- a) a deregulated system (Great Britain),
- b) the systems allowing a degree of economic competition through public tendering (Denmark, Finland, France, Norway, and Sweden),
- c) a classical one (governed by detailed regulations) - Belgium, Germany, Greece, Italy, Ireland, Luxemburg, the Netherlands, Austria, Portugal and Spain.

To run regular bus transport in each country, a special permission (concession, licence) is required (with the exception of Great Britain) for every regular bus line. Specified conditions need to be satisfied, (integrity, professional qualifications, and financial reliability). Administrative authorities examine the need to run a particular bus line, and finance the decrease in sales (loss) only where the services are provided in public interest. The performances in public interest are financed on the basis of conditions set in advance, as a rule, from the budgets of upper-tier units, or in case of municipal transport, from municipal budgets. Recent years have seen the countries with the so-called classical transport systems, as well, having to apply and introduce in life public tendering in respect of financing performances in public interest. The state or municipalities, are cost sharing in building infrastructure and the bus fleet, within the capacity of their budgets.

France, Great Britain and Sweden, are often cited as examples in connection with the promotion of the economic competition.

There are two major participants in the proceedings that deal with planning and coordination of public passenger transport in **France**, (outside territorial agglomeration Ile-de France- Paris and its surroundings):

- the planning and coordinating authorities (municipalities or upper tier of self-government), which are responsible for drawing up transport policy of the upper-tier unit,
- transport companies, which, by contract, are jointly responsible for the provision in transport.

The relation between the coordinating and planning authority and the transport companies is stipulated in a contract, in which the quality, and the performances in public interest are defined, including also obligations of the transport company and the rates of fare. The contracts are concluded on the basis of a public tender and are for a definite limited term. The time limitation depends upon whether the vehicle fleet is owned by the transport company (in which case relatively longer term contracts are used) or by the municipality (shorter term contracts). The risks from potentially lower receipts are borne by the municipality.

Through the legislation of the „TRANSPORT ACT 1980“ and the „PUBLIC PASSANGER VEHICLES ACT 1981“ first steps were made in **Great Britain** towards liberalisation of bus transport. Prior to 1980, the British regulation in bus transport resembled that of other countries of the EU. Transport licences were issued for individual lines, granting of a particular licence could be rejected, where the licence had already been granted for the same line to some other company, or in case of ruining competition, or when deemed inconsistent with the public interest (subsidising unremunerative connections and lines). The amendment of act of 1980 caused that the monopoly in inter-city lines exceeding 30 miles (48 km) that had been there since 1930, was eliminated. In suburban transport of up to 30 miles, licences were maintained but the demonstration procedures changed. The applicant no longer had to prove that the bus line he intended to run, was in public interest. The burden of proof in case of rejection, has to be produced by the administrative authority. At the same time, the public interest was defined in a way stipulating that granting

licence will not have an adverse effect upon meeting of the transport requirements of regions and municipalities.

In the next step, falling effective on 1 October 1986, through the „TRANSPORT Act 1985“ transport licences were suspended for both municipal and suburban transport of up to 30 miles, with the exception of London. That means that transport suppliers do not have operation, transportation and the tariff obligation, and do not even have to have their timetables approved.

In **Sweden**, the powers and responsibilities for provision of public transport were newly defined by the Government Decree in 1978. The purpose of the reform was to ensure for all parts of the country sufficient supply in providing for transportation needs at socially minimal cost. In accord with this decree, in 1981-1983, so-called trafikhuvudmän (THM) were set up in 24 bodies of state administration and self-government, (county- län). THM are regional transport associations, which are accountable, on one hand, to lading (regional parliament) and, on the other, to a body of the upper-tier of self-government. Formerly, municipalities were responsible at local level, and the bus company of Swedish Railways at regional and national levels. In 1985, the Government Decree decided that THM, from 1 July 1989, could provide bus services without a licence, or could vest it in a transport company.

Currently, each of the 24 regions of Sweden has its own Transport Authority (PTA), which is responsible for running regular passenger transport. Through a change of the law in 1989, PTA owns transport licences, puts up and coordinates timetables. It may conclude contracts either with the existing transport companies without calling a tender, or calls a tender for bus lines, timetables and sets the fares.

The Swedish example is innovative in that it did away with the monopoly of the Swedish Railways in bus transport, because of the steadily rising cost and subsidies. A provision of regular bus services was gradually introduced on the basis of public tendering. As a result, cost reductions were achieved (as high as 40%) and the quality of services improved also in the

area of the vehicle fleet. What is still absent is the stimulation of transport companies to increase sales.

In some cities, such as Göteborg, they took advantage of the flexibility of Swedish legislation and rather than calling a public tender for the whole market (the network of bus services) there was competition for its individual sections among a number of transport suppliers. Hence, a situation arose of an economic competition without impairing the integrated transport system.

The study conducted by Stockholm School of Economics, "Deregulation of bus transport in Sweden", which examined the changes in provision of bus transport between 1989 and 1994, and the ensuing effects, among other, came up with the following recommendations:

- It is necessary to continue organising public tenders in regular bus services in the whole territory of Sweden.
- In organising public tenders, the following criteria should be taken account of:
 - a) the method and the form of public competition must be known before it is started,
 - b) selection criteria for transport companies must be precisely defined,
 - c) potential formation of monopolies and oligopolies must be strictly controlled,
 - d) public tender should not be called for the whole network, but only for its individual parts, for example, for the city and its catchment area, bus lines, which permits involving also smaller companies in competition,
 - e) the contract between a transport company and the Transport Authority must be concluded for sufficiently long period,
 - f) in order to ensure specified quality standards, the profit of transport companies must be calculated to allow for investment in the vehicle fleet,
 - g) in calling a public tender, the authority must be clear about whether it wishes to increase the number of passengers or reduce subsidies, or whether companies are expected to cut costs,
 - h) the ever changing quality requirements of services provided should be specified more thoroughly (technical condition of buses, safety of passengers,

accessibility of stops, compliance with the timetables, etc.),

- i) the authorities calling public tenders should not forget about the demands of passengers.

In Federal Republic of Germany, regular bus service provision is governed by the Passenger Transport Act. Its latest amendment, subject to § 13 of the law, makes provision for public tendering for regular bus services. The finance limit is given by the upper-tier budget, or municipal budget in respect of municipal transport. The public municipal and suburban transport is provided by 334 communal enterprises (municipally-owned), mostly in urban agglomerations, 4,247 private transport suppliers and 36 regional transport companies. Transport companies, as a rule, are limited liability companies. The largest private transport supplier has around 150 buses. Larger companies are only of communal nature. The transformation process of former regional transport enterprises VEB in former GDR took place by separation of freight transport (in some cases also repair services as well), change of the legal form to limited liability companies and gratuitous transfer in the ownership of either municipalities or upper-tier territorial units. There was not a strictly adhered to pattern to the process though.

In Austria, regular bus service provision is governed by the Regular Bus Transport Act. A concession is required for each regular bus line. As to the application of public tendering, and in relation to financing provision in public interest, a law on financing regional transport is being prepared, relying on the recent EU directives. Private firms' share in transportation of passengers in 1997 accounted for around 33% (around 245 bus service suppliers), bus-posts accounted for 41%, buses belonging under Austrian Railways Administration for 26 percent. In 1998, the Austrian Post was privatised, thus as much as 74% of transportation of passengers in regular bus services is provided by private firms. The privatisation of regular bus services administered by the railways will take place in connection with turning ÖBB into a capital company, probably a limited liability company.

Poland (PR) had a similar form to our ČSAD companies, i.e. PEKAES. The freight transport had been separated from these companies. The central management of these companies was devolved from

the Ministry of Transport of PR, to the level of Wojwotstwo (upper tier of self-government and state administration). The companies were transformed into either joint stock companies or limited liability companies and they are progressively being privatised. The performances in public interest are financed by the state budget subsidies. The MF PR each year, depending on the planned kilometres driven (according to timetables), the level of tariff, (which is not unified in the whole territory of the PR), and the cost, sets and publishes in its bulletin the amount of subsidy per 1 km.

In Poland, fares have been deregulated in regular bus transport. The advantages of this step include the minimum administrative challenges, capacity to apply own price and marketing policies for individual bus transport companies, etc. The system, however, has also disadvantages. One is related to higher requirements for subsidy needed to reimburse the concessions, guaranteed by the state, to those transport suppliers with higher fares, hence also higher absolute amount of concessions. Another disadvantage is the lack of transparency in regular transport service prices for passengers, etc.

In **Hungary (HR)**, transport companies, based in župas, run regular bus services. Legally they are joint stock companies, (to date, 95% state, and 5% management). The Franchise Act permits other transport suppliers to run regular bus services provided they satisfy the set conditions and take on the obligations of a public transport operator. The regular bus transport is subsidised from the state budget, while municipal public transport is subsidised by municipalities. The tariff, which is thus far unitary in the whole territory, is set and announced by the MT HR, and in municipal public transport, by the municipality. In the view of relevant directives of EU (public service obligations, public procurement), a law is being drafted on financing of regular bus transport.

In Europe, the primary responsibility for subsidising public transport has been traditionally played by the central government. This is essentially the situation in the Slovak Republic, although some municipalities also make small contributions to support particular local services. There has, however, been a growing trend to

transfer the responsibility for financing public transport away from Central Government towards regional offices, and after the state administration reform, to upper tiers of self-government. The reason for this step is simple. So long as Central Government finances the public transport subsidy, it is in every local politician's interest to clamour for as much subsidy as possible. The subsidy is paid by the Central government and does not cost the local community anything. Once the local government has to finance its own public transport subsidies, it immediately becomes more concerned whether the proposed subsidy gives good value for money. It is generally necessary to argue strongly for such a solution, where local government has ultimately the responsibility for taking its own decisions as to how much it is prepared to fund from its own financial resources, given the other competing requirements for local government finance.

It is nevertheless reasonable that those local self-governments which have a particular need to support public transport should receive an allowance from the Government which reflects this need. This could be based on an appropriate formula which would take account of the geographic and economic and social characteristics of each area. Alternatively, it could be based, at least in part, on the current level of subsidies. The local government should however, be able to redirect all, or some of this „grant“ to other activities, should it consider these have a greater need for financial support.

A second possible approach is for the public transport subsidy to be provided from locally generated tax. The most common approach is a tax levied on employers, often a percentage of their payroll cost. This has been used very extensively in France in both large towns and smaller municipalities. From the point of view of the transport planner it is an easy and relatively logical way of obtaining the finance needed to provide a good quality public transport which makes it easier for the employees to get to work.

5.

A proposed model of the financing of public passenger transport in the Slovak Republic

Ever since the rise of the independent Slovak Republic in 1993, the accession to the European Union has been placed among the priorities of the Slovak foreign policy. Together with other associated countries of Central and Eastern Europe, the Slovak Republic has been involved in the expansion process of the European Union. The process of expansion and the terms for accepting new members have been provided in the basic EU documents.

Currently changes are under way in the EU in the rules governing the organisation and operations of general performances in public interest, in connection with the documents on the preference of public passenger transport in the EU. In these changes, individual countries respond to the proposal of the EC Commission of 13 January 2000 and the decree of the European Parliament and the Council on action to be taken by member countries concerning requirements for public services in passenger railway, road and inland waterway transport.

The introduction of these rules and compliance with them might have an effect not only on the standard of living and employment in respective countries and regions but it may also affect the use of transport facilities and equipment. These rules have been designed to take account of the economic development, which follows from the creation of the common market. Equally, they meet the need to coordinate transport as well as the need to compensate for some provisions related to the notion of public transport.

An efficient and appealing integrated public transport of passengers is one composed of many elements that are needed to make a shift towards sustainable development in the mobility, while achieving

economic, ecological and social goals, at which a common public passenger transport policy is aimed. The relevant bodies of individual countries, are expected to set requirements for public passenger transport in ways that would make it possible to make use of all mechanisms available to achieve them. Definitions of such concepts, as public passenger transport, operator, public service requirement, general public service requirement, public service commitment, cost of operations, etc. serve to this end. This common definition of particular notions should preclude different interpretations of the notions and thus avoid possible misunderstanding in transport operations in the territory of individual member countries of the EU. Provision of reasonable public passenger transport, and ensuring public transport passenger services requires that relevant authorities of member countries focus on high level of quality standards and accessibility, with adequacy of quality and accessibility of public passengers transport being applied with regard to the following:

- accessibility of services from the aspect of their frequency, accuracy, reliability, size of the network and information services, which are provided,
- the level of tariffs, for different groups of users and potential users and transparency in the tariffs,
- integration of different kinds of transport services, including information integration, tickets and timetables sale, consumer rights and utilisation of changing in travelling,
- accessibility for people with limited mobility,
- factors of environmental protection,
- urban and territorial planning,
- safety of passengers prior to, in, and after using services,
- handling complaints, resolving disputes between passengers and operators, and the redress in case of service failure.

Imposing obligations on transport supplier regardless of his consent, should currently be used only in case no other way exists to ensure continuation of the needed services at a price which is not excessive.

It is appropriate for the relevant bodies to have the powers to cover the operators' cost arising from fulfilling the requirements for general and specific public services, the cost of which for the supplier are higher than the earnings, and which could not otherwise be met to full extent or under equal terms, if judged by the suppliers according to their commercial interests. For compensation purposes in imposing public service obligations one needs to know: the type of public service commitment, identification of economic disadvantages, requirements for compensation, improved yields of operations, calculation of the compensation: operation and transportation commitments, the calculation of tariff commitment compensation, effectiveness, exemption for retro compensation of the deficit.

The contract for public service and exclusive rights may be awarded for a 5-year term in order to protect and increase the quality and integration of public transport. The process of economic competition accepted for contracting public services should consist of a correct, open and non-discriminatory bidding procedure, relying on a specification that will set selection and contract conclusion criteria. These criteria should allow to conclude contracts of public services delivery on the basis of quality or price, or a combination of the two factors. At the same time, there is a need to ensure access for all participants to the relevant information on provision of services, tariffs, and public service performance on the route and in the proximity of the relevant route or area.

The rules of public bidding procedures permit to conclude contracts, without applying competition, up to the limit of EUR 200,000. In the sector of public transport, where the revenue risk is shared, it makes more sense to focus on the overall value of services - including receipts from passengers than exclusively on the amount of payment from a public body. The level of cost compensation in public transport is around 50%. Therefore, it should be possible for the relevant bodies to conclude public service contracts applicable

to services with an estimated annual worth of EUR 400,000 without competitive procedure, in the interest of administrative simplicity. The operating cost, and the revenues, overhead, assets and liabilities related to meeting public service requirements have to be recorded (accounted) separately, to ensure that relevant bodies receive value for money in public spending, and payments deemed to be compensation are not abused for eroding competition.

These principles of the proposed decree of the EC Commission show what development the area of financing of public passenger transport should be heading for in the SR. Some of the problems have been resolved in the SR but a major part still waits for a solution.

In the SR, public passenger transport is provided, as a rule, through several kinds of transport (railway transport, regular bus transport, municipal public transport). Own interests of these kinds of transport often cause lack of consistency in the transport planning and the traffic conditions.

The cooperation of different kinds of transport should proceed along the following principles:

- greater appeal of public transport calls for voluntary cooperation,
- transport companies must be aware of the benefit of cooperating.

Opportunities for cooperation:

- a) *joint sale of travelling tickets and shared information system*,
- b) *partial tariff cooperation* (agreeing travelling fares and tariff conditions of different transport companies; it is used mainly to make changing when travelling easier),
- c) *tariff community* (is relevant in a territory with different possibilities of change; partners use a common tariff in the territory they jointly serve without waiving the responsibility to another legally autonomous organisation; it constitutes the basic condition of integration),
- d) *transport community* (in addition to common tariff, use of shared stops, joint approval of lines, drawing up timetables, etc.) without the transport companies waiving their powers to another autonomous legal entity,

e) *transport associations* (cooperation of transport companies in which, without fusion or giving up their legal competence, these companies waive substantial powers, such as drawing up timetables, introduction of new lines, tariff creation, public relation, to an autonomous legal person).

The cooperation of individual kinds of transport in the SR is hindered by, for example, the unresolved tax and subsidy system, including the position of municipalities, the responsibility in price creation, etc.

Passenger transport should be a component part of the territorial development plan of each region. For this reason, it is necessary to examine the current situation in territorial development plans for individual regions and in the effective legislation of the Slovak Republic in this domain and suggest potential changes.

In connection with **financing of public passenger transport**, it is first of all necessary to review and distribute responsibility for organisation and provision between the ministries, regions (regional offices or upper tiers of self-government) and municipalities. Equally, prerequisites have to be created (legislative, funds raising) for:

- a) financing of performances in public interest,
- b) financing of the replacement of the vehicle fleet,
- c) tariff mechanism.

According to the effective directives of the EU, **performances in the public interest** are all those commitments, that the transport company would not undertake in its own economic interest, or would not undertake them in full extent, or under the given conditions. Public service commitments are deemed to include operations commitment, transportation commitment, and the tariff obligation.

An operations obligation is deemed to mean a commitment of a transport company to adopt measures to provide transport servicing on a bus line, for which it has a licence, subject to the approved timetable.

A transportation obligation is deemed to mean a commitment of a transport company to transport all persons at set fares and under set transportation conditions.

A tariff obligation is a commitment of the transport company to use the officially set tariff, which is not in consistency with the commercial interests of the company, particularly granting concessions to some groups of passengers.

The authorities awarding transport bus line licences may also require provision of performances in public interest, or sufficient transport servicing. In this case, they have to seek such a solution that can be implemented at the lowest social cost. In setting requirements for sufficient servicing, the authorities take account of the interests of the travelling public, possibilities to use other transport means, as well as travelling fares and transportation conditions that can be offered to passengers.

In the Slovak Republic, the problems of public interest are defined in the NC SR Act no. 168/1996 of the Collection of Laws, on road transport, as later amended. The operations obligation is embedded in § 8 par.1 a, the transportation obligation in § 4 par.2, the tariff obligation in § 8 par.1 b, the issues of concluding a contract of performance in public interest, is provided for in §§ 7, 15. The problem of financing performances however, lies in that the MF SR does not respect this law every year in drawing up the state budget, or it has not issued more details, in keeping with § 6 par.3 of the Act no. 303/1995 of the Collection of Laws, on budgetary rules.

The significance of bus transport for the development of the region is beyond any doubt. Each of 2,858 municipalities in Slovakia has been connected to the network of regular bus transport services.

However, particular municipalities (regions) differ from each other, mainly along the following criteria:

1. size of population, social position and wage earnings of the population,
2. structure of population (by age, gender, employment status, in terms of numbers in each of particular categories, etc.),
3. job opportunities in the municipality,
4. municipal health care, school and shopping infrastructure,
5. number of automobiles per capita,

6. geographic location in terms of distance to the nearest important industrial, cultural, local administrative and political centre,
7. subdivision of municipality in smaller parts.

From these differences follow also varied transportation needs, i.e. requirements for the number of and time location of bus connections, or transport capacity which the transport supplier must offer to ensure operation on a bus line. Particular bus lines thus differ from each other in the structure of transported persons, and in terms of national economy and businesses, also in the amount of sales, different profitability, and different requirement of subsidies to cover the loss incurred due to social reasons (tariff obligation, - awarding concessions), or operation (operation obligation - servicing of a territory with a low frequency of passengers).

Presently, an amendment of the Act no. 168/1996 of the Collection of Laws, on road transport, as later amended, is after collecting comments from sectors, ready to be referred for debate in the Legislative Council of the Government. This amendment contains the following provisions related to the financing requirement:

1. For the purpose of the law, public interest is a commitment - operations-, transportation- and tariff-related to ensure transport servicing of a territory, that a transport supplier is obliged to accept, and which he would not otherwise accept in his own commercial interest, or he would accept it only in part. The commitment arises on the basis of a written contract between the transport supplier, the regional office or the municipality.
2. The basic transport servicing of a territory is the transport to schools, offices, courts, health facilities providing primary health care, and to the workplace, including return trips home. The extent of the state's share in providing it, is determined by the relevant Regional Office, which takes account of the possibilities of utilisation of the railway transport.
3. By the licence awarding decision to individual transport suppliers, and by approving the timetable, provision is made for the basic transport servicing, mutually interlinking individual lines and connections in the view of the railway transport.

4. Other transport servicing is deemed to cover other transport needs of the territory. Unless the other transport servicing is provided within the decision on the licence, or approved timetables, it is secured by the municipality through a contract of performance in public interest.
5. The Regional Office or a municipality is obliged, in the event of conclusion of a contract of performance in public interest, to reimburse the transport suppliers the demonstrated loss.
6. The definition of the demonstrated loss, the way of calculating preliminary authorised estimate of the demonstrated loss, the rules for allocating finance from the relevant budget, documents supporting the calculations of the demonstrated loss, will be stipulated in the implementing regulation.
7. In ordering a performance in public interest, the Regional Office or the municipality must comply with the general rules of economy and efficiency within the capacity of the state budget, and, where a regular line cannot be run by several suppliers, a public tender has to be called with the aim to minimise cost.

The purchasing power of the population and the fuel prices are the decisive factors, which have an effect upon the choice of the transport means. Having regard to the problems associated with the transformation of the national economy, we may note that the tempo of individual automobile utilisation will not be as dynamic as is currently the case in, for example, countries of the EU. Thus, the importance of public passenger transport in meeting the transportation needs of the population is unquestionable. The ultimate goal has to be retaining an efficient system of public transport, i.e., retaining the transport companies that would provide public transport.

Although the passenger car is very popular with the Slovak population, individual car traffic is associated with some negative features, such as traffic accidents, noise, emissions of pollutants, increased cost for building infrastructure, etc. That is why, even the Government Statement of Policy, assumes increasing the proportion of public transport in meeting the transportation needs of the population. It is possible to increase the share only thorough making well-advised

administrative and economic measures, focussed on a coordinated development of the transport system of the state according to specific criteria. Table 21 and 22 give the steps to be taken in this area.

These criteria must be reflected in particular programs of regional development of transport. In keeping with the NC SR Act no. 222/1996 of the Collection of Laws on organisation of state administration, the Regional Office is the basic authority that is responsible for coordinating work on social and economic programs of the development of the territory. This body thus coordinates provision of regular bus service.

Before the prepared decentralisation is implemented, a general concept should be approved at central government level. It is also necessary to carry out a thorough inventory of the current assets of the transportation companies, the services operated by these companies and the relative profitability of different services, such as irregular bus transport.

Every citizen needs transport to get to work, school, or when pursuing interests in his or her leisure time. Provision for mobility in a way that is consistent with the goals of environmental protection calls for a well functioning public passenger transport. This should contribute in the forthcoming century to increase the quality of life. Public passenger transport thus necessitates greater involvement of the Government, ministries, territorial authorities of state administration and self-government. It needs to get priority, increase coordination of the development of individual kinds of transport. For its development, funds need to be available, both private and state, to complete infrastructure and improve the quality of the services provides. Furthermore, it is necessary that measures to increase efficiency in public passenger transport be adopted in the Slovak Republic relying on deregulation and privatisation, reorganisation of transportation companies, improved coordination of individual kinds of transport, introduction of differentiated systems in servicing the territory and finalisation of building the system of funding and price policy.

Table 21: Formal criteria for developing public passenger transport

Formal criteria	Example	Goals
organisational responsibility (Who will make the decision?)	issuing decisions (licences)	delegating to a lower level co-participation in decisions
financing responsibility (Who is going to reimburse the loss incurred?)	funding by the authority which is issuing the licence, voluntary or imposed cost sharing in funding, contributions or settlements	it should overlap with the decision making power
responsibility to offset decreases in sales due to concessions	funding by the authority which decides about concessions	transfer to the authority that has to pay all subsidies
provision of operation	legal form of the transport company, company's organisation	

Tieto kritéria sa musia prejavíť v delbe právomocí, úloh medzi štátnou správou a samosprávou, v hierarchii správnych orgánov a v integrovaných dopravných systémoch.

Table 22: Content criteria for the development of public passenger transport

Content criteria	Example	Goals
overall demand for transportation performances	transportation wishes of passengers	the core for the supply
supply in transportation performances	choice of kind of transport, timetables, lines, servicing of the territory	causes both cost and benefits
sale and marketing	price, tariff terms, marketing	has to reconcile demand and supply
public transport cost	fixed, variable, external	arising from offering supply
Success of public transport	increased share of public transport, profit of transport organisations, meeting transportation needs of the population	Expectation – a method of decentralisation of both funding powers and responsibilities

Success of public transport increased share of public transport, profit of transport organisations, meeting transportation needs of the population Expectation - a method of decentralisation of both funding powers and responsibilities

6.

Proposed course of action in the privatisation of SAD companies and its potential impact upon the public passenger transport in the Slovak Republic

As one of potential solutions of the SAD companies, the Government of the SR adopted a decision about their privatisation. Over the course of the year 2000, MTPC SR has provided information on the stage of work on the prepared privatisation of SAD companies, which is expected to actually take place in 2001.

According to recent information, the following procedure for privatisation has been suggested:

- Creating SAD a.s. (a.s.=Plc.) through transformation of the current 17 state enterprises with 100% state interest.
- For the first stage, sale of a 49-percent stake through direct sale, subject to a selection procedure by the National Property Fund (FNM), (most likely occurring in the first half of 2001)
- For the second stage, (date not settled yet) a transfer of a 34-percent stake either to municipal self-governments or the upper tiers of self-government, and a sale of the remaining 17-percent stake either to the winning bidder of the first round, or to another entrant.

It is expected that the selected buyer will pay, in direct payment, only 1 to 5% of the value of the privatised assets and the remaining part will be invested in the form of purchasing new buses.

Privatisation of SAD is a socially sensitive issue, as this constitutes a regulated activity in which the current transportation suppliers have a dominant - partly even monopoly - position. Even after privatisation, the state will remain a significant ordering party of

transportation services, for which it will reimburse private companies' loss incurred through performances in public interest.

The chapters above have described a number of problems related to the definition of performances in public interest, transport servicing of the territory, definition of economically justified cost, correct calculation of the loss, arising from carrying out performances in public interest, and some others. The state has a unique responsibility here to eliminate the existing vagueness. Before ownership of SAD companies gets in private hands, resolving these issues should be one of the priority interests of the state.

From the aspect of the future operation of SAD and the responsibility for transport servicing of the territory on the part of self-governments, the present course of action in privatisation SAD is not optimal. Following are the alternative steps:

- Creating SAD a.s. with 100 %state interest
- In stage1 - transfer of a 100-percent stake of SAD to upper-tiers of self-government or the relevant cities and communities
- Individual decisions made by the relevant self-government on further course of action in potential privatisation.

In this case, it would be the self-government that would be looking for potential investor and it may well be, that the selection would be different from the choice made by the MTPT SR.

It may happen that, interested parties will not be found for all of the 17 SAD companies, which will necessitate different individual solutions in relevant regions.

Moreover, by deciding at the level of the ministry of transport, there will be future co-owner partners pre-designated for self-governments in operating SAD.

We need to hope that, despite the negative examples in privatisation of recent years, the new owners will not contribute to further aggravation of the financial situation in these companies.

In privatisation of SAD, we cannot miss pointing to exiting overlap of part of the problems with those in the further course of action in privatisation ŽSR. It is very likely, that also a part of regional railway routes

will be conveyed, in as yet unspecified way, to restricted disposition of self-governments, and, simultaneously, conditions will be changed of providing funding contributions, that will no longer come from central level, but rather from regional level.

This will enable to eliminate in the future the double-track nature in subsidising a region, both in railway and bus transport, and allow self-government to support a single, more efficient mode of transport, improve coordination in the transportation service provision in the region, and bring the decision making about the development of public passenger transport closer to the citizen.

REFERENCES

- [1] GNAP, J.: Kalkulácia vlastných nákladov a tvorba ceny v cestnej doprave, 1. vydanie, Žilinská univerzita v EDIS - vydavateľstvo ŽU, Žilina, 1997 (Calculation of cost and price creation in road transport, first edition, Žilina University, EDIS Publishing House of ZU)
- [2] GNAP, J.: Problematika efektívnosti autobusovej dopravy a kalkulácia nákladov a tvorba ceny v autobusovej doprave, Učebné texty pre manažérsky kurz „Riadenie podniku autobusovej dopravy v podmienkach transformácie“ I., Žilinská univerzita v EDIS - vydavateľstvo ŽU, 2000, s. 49-70 (Problems of efficient bus transport and cost calculation and price creation in bus transport. A teaching material for a manager course „Management of a bus company under conditions of transformation“ I. EDIS Publishing House , p.49-70)
- [3] GNAP, J.- PALOVÁ, M.: Problematika dotácií do verejnej hromadnej osobnej dopravy, Horizonty dopravy, č.2/200, Výskumný ústav dopravný, Žilina 2000, s.1-3 (Problems of subsidies to public passenger transport. Transport Horizons, no. 2/200, Research Institute of Transport, Žilina, p.1-3.)
- [4] GNAP, J.- PALOVÁ, M.: Predpoklady a podmienky stanovenia dynamiky optimalizovaného rastu ekonomicky oprávnených nákladov v zmysle platnej cenovej legislatívy pre verejnú autobusovú dopravu v rozlíšení na prímestskú a mestskú verejnú dopravu, Odborná štúdia, Žilinská univerzita , F PEDAS, Žilina máj 2000 (Assumptions and conditions of defining the dynamics of optimised growth of economically justified cost, as seen through effective price legislation applicable to bus public transport, by suburban and municipal public transport. Expert study. ZU, F PEDAS, Žilina May 2000)
- [5] GNAP, J.- PALOVÁ, M.: Variantný spôsob uplatnenia dynamiky vstupov a výstupov pre mechanizmus valorizácie taríf vo verejnej autobusovej doprave, Odborná štúdia, Žilinská univerzita, F PEDAS, Žilina jún 2000. (An alternative way of applying input and output dynamics for the tariff valorisation mechanism in public bus transport. Expert study, ZU, F PEDAS, June 2000.)
- [6] HNATÍČ, J.: Dopravná politika a koncepcia transformácie a privatizácie štátnych podnikov Slovenskej autobusovej dopravy, Učebné texty pre manažérsky kurz „Riadenie podniku autobusovej dopravy v podmienkach transformácie“ I., Žilinská univerzita v EDIS - vydavateľstvo ŽU, 2000, s. 7-13 (Transport policy and the concept of transformation and privatisation of state enterprises of SAD. A teaching text for a manager course, „Management of a bus company under conditions of transformation“ I. EDIS Publishing House , p.7-13.)
- [7] HREUSÍK, S.: Koncepcia tarifnej politiky v hromadnej osobnej doprave, Internalizácia externých nákladov dopravy, Učebné texty pre manažérsky kurz „Riadenie podniku autobusovej dopravy v podmienkach transformácie“ IV., Žilinská univerzita v EDIS - vydavateľstvo ŽU, 2000, s. 5-31 (The concept of the tariff policy in public passenger transport. External cost internalisation in transport. A teaching text for a manager course „Management of a bus company under conditions of transformation“ IV. EDIS Publishing House , p.5-31.)
- [8] TISOVSKÝ, J.: Vykonať verejnej autobusovej dopravy v podmienkach sociálne a ekologicky orientovaného trhového hospodárstva, Učebné texty pre manažérsky kurz „Riadenie podniku autobusovej dopravy v podmienkach transformácie“ I., Žilinská univerzita v EDIS - vydavateľstvo ŽU, 2000, s. 15-42 (Operating public bus services under conditions of socially and environmentally orientated market economy. A teaching text for a manager course, „Management of a bus company under conditions of transformation“ I, ZU - EDIS, p.15-42).
- [9] Internetová stránka Ministerstva dopravy a spojů Českej republiky [http:// www.mds.cz](http://www.mds.cz) (the web site of the Ministry for Transport and Communications of the Czech Republic)
- [10] Internetová stránka Európskeho informačného centra v SR <http://www.europa.sk> (the web site of the European Information Centre in the SR)



M.E.S.A. 10 – Center for Economic and Social Analyses

M.E.S.A. 10 - Centrum pre ekonomické a sociálne analýzy, je ekonomický think-tank – nezávislá, mimovládna a nezisková organizácia.

M.E.S.A. 10 - Center for Economic and Social Analyses, is an economic think-tank – independent, non-government, not for profit organization.

Hlavným cieľom M.E.S.A. 10 je podpora slobodnej trhovej ekonomiky, princípov a hodnôt ako je slobodná súťaž, rovnosť šancí, slobodné podnikanie, nedotknuteľnosť súkromného vlastníctva, obmedzená úloha štátu, otvorenosť ekonomiky, oddelenie ekonomickej a politickej moci

Basic mission of M.E.S.A. 10 is promotion of free market economy, the principles and values such as free competition, equality of opportunities, free enterprise inviolability of private ownership, limited government interference, open economy, separation of economic and political power

Rozhodujúcimi aktivitami M.E.S.A. 10 sú:

- vypracovávanie ekonomických analýz a štúdií
- poskytovanie rozhovorov, stanovísk, reakcií a komentárov k aktuálnym témam domácim a zahraničným médiám a inštitúciám
- organizovanie diskusných podujatí, seminárov, konferencií a prednášok k aktuálnym témam spoločensko-ekonomického vývoja
- publikačná činnosť

Relevant activities of M.E.S.A. 10 include:

- elaboration of economic studies and analyses
- providing interviews, assessments, reactions and commentaries to topical issues to domestic and foreign media institutions and media
- organizing discussion forums, seminars, conferences, and lectures on topical issues of socio-economic development
- publication activities

Hlavnými oblasťami, ktorým sa M.E.S.A. 10 venuje sú :

- makroekonomický vývoj
- hospodárska politika a reštrukturalizácia ekonomiky
- verejné financie
- zahraničný obchod a zahraničné investície
- privatizácia
- reforma a decentralizácia verejnej správy
- regionálny rozvoj
- integrácia Slovenskej republiky do Európskej únie

M.E.S.A. 10 deals mainly with following areas:

- macroeconomic development
- economic policy and economic restructuring
- public finances and fiscal policy
- foreign trade and foreign investment
- privatization
- reform and decentralization of public administration
- regional development
- integration of Slovakia into the EU

**M.E.S.A. 10
- Center for Economic and
Social Analyses**

Hviezdoslavovo námestie 17
811 02 Bratislava 1
Slovak Republic
Tel.: +421-7-54 43 53 28
+421-7-54 43 59 00
Fax : +421-7-54 41 98 82
e-mail: mesa10@mesa10.sk
www.mesa10.sk

M.E.S.A. 10 Consulting Group, s.r.o. je dcérskou spoločnosťou M.E.S.A. 10. Zaoberá sa spracovaním ekonomických štúdií a analýz na komerčnej báze.

M.E.S.A. 10 Consulting Group, s.r.o. is a daughter company of M.E.S.A. 10. It deals with economic studies and analyses on commercial basis.